

**FINANCIAL MANAGEMENT DECISION-MAKING PROCESSES IN
PUBLIC PRIMARY SCHOOLS**

By

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DECLARATION OF ORIGINALITY

I, Adebunmi Yetunde Aina, declare that this report on Financial Management Decision-Making Processes in Public primary schools in Gauteng Province is my own work. The study has never been submitted for a degree to any tertiary institution before. Where the work of other authors has been cited, proper acknowledgements were made by means of complete references.

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MEd

**Financial management decision-making
processes in public primary schools**

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Education Management and Policy Studies

14 December 2016

11 November 2017

CHAIRPERSON OF ETHICS COMMITTEE: Prof Liesel Ebersöhn

A handwritten signature in black ink, appearing to read 'Bronwynne Swarts'.

CC

**Ms Bronwynne Swarts
Mr Andre du Plessis
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This Ethics Clearance Certificate should be read in conjunction with the Integrated Declaration Form (D08) which specifies details regarding:

- Compliance with approved research protocol,
- No significant changes,
- Informed consent/assent,
- Adverse experience or undue risk,
- Registered title, and
- Data storage requirements.

DEDICATION

This dissertation is dedicated to God, the Almighty Father, giver of wisdom and understanding. I want to express my appreciation and thank you for giving me the strength, wisdom and understanding to complete this research work. I am really grateful Baba Eledumare.

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ABSTRACT

The South African Schools Act 84 of 1996 prescribes how schools should manage their finances and involve their stakeholders in financial management decision-making. The relevant literature reveals that principals in many schools situated in township and rural areas play a dominant role in the financial management of their schools which is contrary to the prescriptions of the South African Schools Act.

This study aimed to identify financial management decision-making processes utilized in fee-paying public primary schools, the factors that influence financial management decision-making and the role and influence of individual stakeholders in financial management decision-making. The study followed a qualitative research approach with a multiple case study research design. Five fee-paying public primary schools were purposively selected. Participants included governing body chairpersons, principals and financial managers of the schools. Data was collected by means of semi-structured interviews and document analysis.

The findings from the data suggest that financial management decision-making processes utilized in fee-paying public primary schools are: needs analysis, budget drafting and procurement processes. The study also reveals that members of school governing bodies (SGB) in fee-paying schools situated in affluence areas are educated professionals who, as required by the South African School Act, exert a strong influence in financial management decision-making in schools.

KEY WORDS

Decentralisation, decision-making, financial management, school governing bodies, finance committee, primary school, public school, influences, processes.

LANGUAGE EDITOR

DECLARATION OF EDITING

17 November 2017

TO WHOM IT MAY CONCERN

This is to confirm that I have language edited and proof-read the dissertation of **Ms Adebunmi Aina** entitled:

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The language editing/proof-reading process included the checking of spelling, punctuation, syntax and expression. An attempt was made to simplify complex sentences and, where necessary, combine short sentences to clarify meaning. Attention was given to the use of various language elements, such as prepositions, consistency in language usage and formatting as well as tenses, capital letters and punctuation.



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LIST OF ABBREVIATIONS

AGM	Annual General Meeting
SGB	School Governing Body
DBE	Department of Basic Education
HOD	Head of Department
RSA	Republic of South Africa
SASA	South African Schools Act
SMT	School Management Team
USA	United State of America
GAAP	Generally Accepted Accounting Procedures
IFRS	International Financial Reporting Standards
NNSSF	National Norms and Standards for School Funding

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CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

A lack of financial resources negates the attainment of any goal, but a worse scenario is when available funds are mismanaged. To achieve any set goal, proper financial management decision-making is important. Schools, as organizations, set goals and to successfully reach these goals there must be proper financial management (Zengele, 2013:23). Proper financial management is essential to the success of all educational activities in any school (Xaba & Ngubane, 2010:139).

For proper effective and efficient financial management in schools, school governors and managers need to ensure that their functions are clearly defined and that financial management activities are performed by persons or committees who are responsible for attaining goals set by the schools (Mestry, 2016:3). It is, therefore, important to understand what financial management entails and how financial decisions are made whilst adhering to legal requirements in order to achieve proper financial management.

Financial management is defined as carrying out of managerial activities associated with school financial phases with a purpose of achieving quality education (Mestry, 2013:139). Mestry and Bischoff (2009:4) describe successful good financial management when the following financial activities are in place: clearly defined responsibilities of financial manager(s); a budget prepared according to the school's objectives and subjected to regular and effective monitoring; an established effective financial control system; an accurate and adequate recording system; a proper procurement mechanism; and proper control over the operation of a bank account where bank balances are reconciled with accounting records. Financial accounting

principles, known as Generally Accepted Accounting Procedures (GAAP), must be applied to ensure that good financial management and relevant legislation relating to financial management in schools is adhered to when making financial decisions.

There has been a robust movement internationally to decentralise school financial management (Mestry & Hlongwane, 2009:325). To improve the effective and efficient delivery of education services, governments around the world have introduced decentralised education decision-making by increasing parental and community participation in schools (Androniceanu & Ristea, 2014:38). This implies that across the globe financial management decision-making in schools, which involves school stakeholders who include principals, parents, teachers, learners and community representatives, has been decentralised. Decentralisation allows stakeholders to participate in matters that directly affect them; it allows for the display of different capacities as well as power and influence at governance level to be more evident (Mestry, 2013:165).

In South Africa decentralised decision-making was announced with the introduction of the South African Schools Act, No. 84 of 1996 - hereafter referred to as the Schools Act. One vital assumption behind the introduction of the Schools Act was to ensure that stakeholders at local level become involved in decision-making in schools (Khuzwayo, 2009). The Schools Act prescribes how financial management should take place in schools. It assigns financial management duties to school governing bodies (SGBs) and principals (Mestry 2013:165).

To attain the goal of quality education, it is important to ensure proper financial management decision-making -a significant activity in which school governors and managers engage in on a regular basis and to which the success of a school is critically connected (Lunenburg, 2010:1). Since financial management is regarded as part of school management practice which contributes significantly to the achievement of quality education, it is important and necessary to study financial management decision-making in a decentralised school system.

1.2 PROBLEM STATEMENT

The Schools Act prescribes and encourages the participation of school stakeholders, including principals, teachers, community representatives, parents and learners in high schools in financial management decision-making in schools. Mestry (2004:126) is of the opinion that the school stakeholder representatives, who are given financial management responsibilities, face tremendous pressures when making financial decisions because they lack financial knowledge and skills. In spite of many training initiatives by the Department of Basic Education, there are still some problems facing school financial management (Mestry, 2006:27).

In investigating the roles of SGBs in handling school finances, Mestry (2006:28) found that several principals and SGB members carry a heavy burden in managing their schools' funds because they are not capable of giving functional answers to financial problems due to a lack of financial understanding, ability and know-how. The study also showed that principals and SGB chairpersons hardly ever consult with other members, such as parents, teachers and learners in high schools on important decisions regarding school financial matters. Mestry (2006:34) concludes that there is no transparency in financial management in schools. Xaba and Ngubane (2010:153) reach a similar conclusion when they suggest that in some schools the preparation of the budget lacks transparency.

Motsamai, Jacobs and De Wet (2011:115) corroborate the above conclusions by maintaining that a lack of involvement by the relevant parties may have a negative impact on transparency. Korose, Ngware and Sang (2009:1) acknowledge the lack of financial transparency as a major problem that is manifested in schools. According to Mncube (2009:93), SGB members regularly agree to decisions taken by principals because they are afraid of being accused of disloyalty; they, therefore, pretend to be part of decision-making processes.

Many principals appear to feel threatened because, under the previous dispensation, they were formally in charge of financial management; they now feel disempowered by the new legislation which expects greater general participation and transparency

in financial management decision-making processes in schools (Mestry, 2006:28). The problems identified in the above studies emerged in lower quintile schools that are situated, mostly, in township and rural areas. There is a need, therefore, to investigate financial management decision-making in Quintile 5 schools that are found in more affluent urban areas to determine whether the same problems exist.

The previous studies identify problems in school financial management, but to this researcher's knowledge there is a limited literature dealing with applied decision-making processes that guide financial management in public schools. This study aimed to investigate financial management decision-making processes in Quintile 5 public primary schools to identify factors that influence financial management decision-making in schools.

1.3 RATIONALE FOR THE STUDY

An interest in researching financial management decision-making in public schools was largely engendered by the researcher's financial accounting background. As well as the opportunities she has been afforded to work within the financial management structure in her school which has exposed her to financial management decision-making in a school setting.

A secondary motive for conducting this study was that there is an increased awareness of the importance of effective financial management processes in schools. Recently, researchers in South Africa have investigated several topics relating to financial management in schools; examples are Xaba and Ngubane (2010); Mestry (2016, 2013, 2006, 2004); Motsamai, Jacobs and De Wet (2011); Korose, Ngware and Sang (2009); Mestry and Govindasamy (2014); Beyers and Mohloana (2015); Mestry and Hlongwane (2009); and Blake and Mestry (2014). In spite of all this research, there still appeared to be a need to investigate how decision-making processes guide financial management in schools because of a limited focus on actual financial management decision-making in Quintile 5 schools. In addition, most previous studies relating to school financial management focus on non-fee-paying

schools in poorer communities. Very little research has been done on the financial management processes in the wealthier Quintile 5 fee-paying schools.

1.4 THE PURPOSE AND AIMS OF THE STUDY

The purpose of this research was to investigate and determine the financial management decision-making processes applied in fee-paying Quintile 5 public primary schools. This study aimed to achieve the following:

- Provide new and insightful information on financial management decision-making processes in fee-paying Quintile 5 public primary schools.
- Determine factors that influence financial management decision-making in schools.
- Illuminate the role and influence of stakeholders regarding financial management decision-making in schools.
- Detect challenges related to financial management decision-making processes.
- Identify areas in financial management decision-making that need further investigation.

1.5 RESEARCH QUESTIONS

The main research question was:

What financial decision-making processes are used in fee-paying public primary schools?

The sub-questions to answer and support the key research question were:

- 1. What factors influence financial management decision-making in fee-paying public primary schools?*
- 2. What are the roles and influence of individual stakeholders with regard to financial management decision-making in fee-paying public primary schools?*
- 3. What challenges are experienced in financial management decision-making processes in fee-paying public primary schools?*

1.6 CONCEPTUAL FRAMEWORK

The establishment of a conceptual framework was based on Powell's model for decision-making which includes state domination; institutional autonomy; Elite Theory; interest representation; and four principles of decision-making.

1.6.1 Powell's Model for Decision-Making (2008)

The Powell (2008) model for decision-making was deemed relevant and was used to provide a structure and guide the investigation on financial management decision-making in fee-paying public schools. Typically influencing decision-making is the effect of collaboration between different beneficial parties (Powell, 2008:388). Powell (2008) identifies four kinds of influence that is frequently part of decision-making, namely: state domination, institutional autonomy, elite theory and interest representation.

1.6.1.1 *State domination*

This type of influence could be described as the authority the state or government has over an institution which operates by means of government instruments to frame policies that individual lower level institutions carryout (Powell,2008:388). In terms of this study, it could be described as the legal requirement stipulated by the Schools Act and other relevant legislation covering financial management decision-making in schools which must be strictly adhered to. This suggests that principals and SGBs are influenced by regulations as well as policies established by the Department of Basic Education and Provincial Departments of Education. Understanding this legislation and the relevant policies contributes positively to effective and efficient financial decision-making which has an impact on schools.

1.6.1.2 Institutional autonomy

Kogan and Hanney (2000) describe institutional autonomy as the power and authority given to institutions by central and provincial governments to make and implement their own decisions. In relation to this study, it can be described as the power given to SGBs to govern schools and that given to principals to professionally manage school affairs. This shows that principals and SGBs have power and influence when implementing their responsibilities. Appropriate usage of this power and influence over schools' financial assets will help schools achieve their goals and satisfy stakeholders.

1.6.1.3 Elite theory

Mainstream power-holders may be differentiated from smaller power-holders. Etzioni-Havely (1993) believes that mainstream power-holders, or the elite, effectively control power; mostly they make important unilateral decisions whereas smaller power-holders have no choice but to comply. This can be directly related to the findings in the research carried out by Mestry (2006:33) that principals are not always willing to delegate the duties of school governance for fear of sacrificing their power; hence, they deliberately withhold information relating to school finances. Therefore, principals may be regarded as mainstream power-holders who make financial decisions without proper consultation with other relevant stakeholders.

1.6.1.4 Interest representation

Interest representation refers to the actions taken in support of bulk choices or majority interest in decision-making processes (Powell, 2008:389). This points to decision-making by means of appropriate consultation and collaboration.

1.6.1.5 Four primary principles of decision-making

Powell (2008:389) describes four primary principles of the decision-making process, which he terms "the four I's"; they are: Idea, Information, Initiative and Influence. The **idea** must be cultivated; when decisions are made, what is to be decided is generated

from somewhere or someone. The second principle he calls **information**; the idea must be informed and the people involved in the decision-making process must be told about the idea before decisions are made. The third is **initiative** which is described as a process of selling the idea and making people see, understand and buy into the benefits of the idea as it concerns all parties that take part in the decision-making process. The last principle is **influence** which is the stage where the idea is presented with a high level of inspiration and belief that is required to influence others to accept it as an accurate suggestion.

With Powell's (2008) model for decision-making it is evident that there are kinds of influence and primary principles that need to be practically followed in order to make proper decisions. In this study these types of influence and primary principles of decision-making were followed to explain financial management decision-making in schools.

1.7 CLARIFICATION OF CONCEPTS

The following concepts are defined in order to give clarity about financial management decision-making in public schools:

1.7.1 Financial Management

Financial management in schools is defined as a process of planning, coordinating, organising, monitoring and controlling monetary resources in schools (Botha, 2013:215). In the context of this study financial management was seen as the management of schools' financial resources which entails planning, organising, controlling and reporting on school funds and the achievement of schools' goals.

1.7.2 Decision-Making

Decision-making may be defined as the process of making a choice between different alternatives in order to achieve a desired goal (Eisenfuhr, 2011). This study explored financial management decision-making activities and procurement processes in public schools, including the purchasing of stationery, learning materials, teaching equipment, school furniture and other school equipment.

1.7.3 Influence

In this report, influence is referred to as factors that impact on something/things that make other things happen, either positively or negatively. This study focused on factors influencing decision-makers in relation to planning, organising, controlling and reporting school finances and who influences financial management decision-making in schools.

1.7.4 Stakeholders

According to Freeman (1984:25), 'stakeholders' are any group or person that are affected, or is affected by, the attainment of an organisation's goal. The Schools Act makes provision for stakeholder representatives to take part in schools' decision-making processes. In this study the representative stakeholders involved in financial management decision-making processes are: principals, SGB chairpersons and chairpersons of Finance Committees (treasurers), Finance Committees and financial managers of schools.

1.7.5 Public Schools

Public schools are referred to as schools which are described in Chapter 3 of the Schools Act. This study focused on Quintile 5 fee-paying public primary schools that are allocated additional functions according to Section 21 of the Schools Act. Section 21 schools are those where the provincial department deposits schools' resource allocations directly into their banking accounts. Amongst others, they are mandated with functions that are related to choosing suppliers in respect of buying learning support materials and making payment for services rendered (Mestry, 2006:130).

1.8 RESEARCH METHODOLOGY

The research methodology includes the approach adopted, research design, sampling technique, data collection and data analysis.

1.8.1 Research Approach

Because it provides an opportunity to explore financial management decision-making processes in schools, a qualitative research approach was used in this study (Nieuwenhuis, 2007:51). A qualitative research approach permits gathering data directly from the source and facilitates an understanding of participants from their points of view (McMillian & Schumacher, 2014; Baxter & Jack, 2008; Nieuwenhuis, 2007).

1.8.2 Research Design

A multiple case study research design was used which is the most appropriate to the study because it affords the researcher an opportunity to spend time with the research participants and to gather data directly from them in their natural setting (Hamilton & Corbett-Whittier, 2013:11). A multiple case study design was also deemed to be of greater value to this study because it helped in converging data and reinforcing the legitimacy of the findings (Yin, 2009:18). Furthermore, it provided the researcher with an in-depth understanding of financial management decision-making processes in the participating schools, brought about through the use of semi-structured interviews; document analysis; and having access to the different perspectives of financial management decision-makers (Baxter & Jack, 2008:543).

1.8.3 Sampling Technique

Purposive sampling was employed in selecting five fee-paying public primary schools with Section 21 functions. This provided an opportunity to use representatives of a population whose contributions revealed more about the population, in general (Maree, 2013). Five schools were chosen because this study aimed to explore financial management decision-making in schools and not to generate theories (McMillian & Schumacher, 2014:350).

The rationale for using purposeful sample in public primary schools was firstly, that the participants are experienced and knowledgeable in school financial management

decision-making and, secondly, that the five schools are all Quintile 5 schools situated in an urban area which means that they are at the same levels of infrastructure and funding. Thirdly, the schools have similar social-economic status.

1.8.4 Data Collection

Relevant data was collected through semi-structured interviews and document analysis.

1.8.4.1 *Semi-structured interviews*

Semi-structured interviews, which were audio recorded, were held with the principals, financial managers and SGB chairpersons of the participating schools. This method of gathering information was chosen so that questions that were confusing for the participants could be clarified; the interviews would also give the man opportunity to express their views in details (Doody & Noonan, 2013:30). Semi-structured interviews would enable the researcher to probe more deeply in exploring new emerging lines of inquiry that were directly related to the topic of the study (Nieuwenhuis, 2007:87). A prepared semi-structured interview schedule helped guard against any unnecessary diversion that was not related to the topic (Nieuwenhuis, 2007:87). Thirteen participants were interviewed: five principals, five financial managers and three governing body chairpersons.

1.8.4.2 *Document analysis*

Document analysis is a systemic process of examining and evaluating documents, both in hard and soft-copy (Glenn, 2009:27). Using document analysis together with semi-structured interviews (Nieuwenhuis, 2007:82) reduced the effect of potential bias that could occur if a single method of data collection was used. With document analysis it was possible for the researcher to see beyond the perspectives of the participants (Metzler, 2014). The schools' financial policies and agendas of finance committee meetings were analysed. The schools' financial policies were analysed because they provided a good understanding of the procedures and processes used in financial management decision-making.

1.9 DATA ANALYSIS

The first step in the data analysis process was to transcribe the audio-recorded interviews which were typed onto a computer as word-processing documents (McMillian & Schumacher, 2014:395). The data collected was organised logically into workable units to facilitate coding. A great deal of time was devoted to per using the interview transcripts, field-notes and information from relevant documents in order to explore and interpret what they revealed about financial management decision-making processes in schools. The data analysis was done manually through a process of systematically coding and categorising the data into themes and sub-themes that were seen to emerge. The results were repeatedly reviewed and continually coded to provide meaning for the findings and conclusions of the study (Nieuwenhuis, 2007:101).

1.10 ACCURACY AND TRUSTWORTHINESS

To ensure the accuracy and truthfulness of the research's findings and conclusions, the following strategies were used:

- **Crystallization**- More than one data collection technique was used which increased the credibility and trustworthiness of the findings (Nieuwenhuis, 2007:80).
- **Mechanically recorded data**– Audio-recordings of the semi-structure interviews were made with permission from the participants to provide an accurate and complete record (McMillian and Schumacher, 2014:355).
- **Prolonged and persistent fieldwork**- In-depth interviews were conducted in the school setting to match the findings with the participants' reality (McMillian & Schumacher, 2014:355).
- **Member checking** - Each individual participant was given a transcript of their recorded interview to verify its accuracy and truthfulness (McMillian & Schumacher, 2014:355).

1.11 LIMITATIONS OF THE STUDY

The research was limited to the Tshwane South District of Gauteng Province; limiting the number of participants in a study does affect the level of being able to generalise the findings. This suggests that further research may have to be carried out in other areas of the country for the findings to be generalised. Time constraints did not allow for a larger sample. Two governing body chairpersons could not participate in the study because of their unavailability at the time scheduled for their interviews.

1.12 ETHICAL CONSIDERATIONS FOR THE STUDY

Research ethics is about what is morally acceptable and what is not acceptable when gathering data either from participants or archival data. It is important and necessary for researchers to be fully aware of ethical and legal principles when conducting research to protect the rights and welfare of participants (McMillian & Schumacher, 2014:362).

Due to the sensitivity of financial matters, some participants in this study were afraid to become involved and initially turned down the invitation to take part in the research, believing that it might lead to some discovery of misappropriation/maladministration of school funds with subsequent consequences. The researcher had to give a thorough explanation of the purpose and aims of the research study in order to convince them that the findings would be used for research purposes only. Therefore, in order to protect the rights of the participants, it was ensured that the purpose and aim of the study was explained to all the participants before the data collection process commenced. Each participant was told that they could pull out from the study at any point in time and that information they provided would be protected through the use of pseudo-names; their anonymity and confidentiality would be guaranteed. The potential benefits of the research findings were also explained to the participants, including that their shared experiences might increase awareness and lead to the development of better strategies for financial management decision-making processes in schools.

To fulfill other ethical and legal principles when conducting research, the following procedures were observed:

- Ethical clearance from the Ethic Committee of the Faculty of Education of the University of Pretoria was applied for and the Ethics Committee guidelines were followed.
- Permission was obtained from the Gauteng Department of Education to conduct this research.
- Intellectual property was protected by referencing every source cited in this research report.
- It was ensured that participants would not be exposed to any harm or risk by being honest and trustworthy and by maintaining a respectful attitude at all times (McMillian & Schumacher, 2014).

1.13 SUMMARY OF THE CHAPTERS

This research report is structured in the following way:

- **Chapter 1: Introduction-** In this chapter the background information and problem statement of the study is discussed. The purpose and rationale, research questions, conceptual framework, research design and methodology utilized in the study, ethical consideration and limitation of the study are also described. The chapter concludes with a brief outline of the rest of the report.
- **Chapter 2: Literature Review–** Chapter two gives an overview of the related available literature in an organized and structured manner.
- **Chapter 3: Research Methodology-** The research design and methodology used during the fieldwork is narrated in this chapter. The data collection processes, data analysis techniques and ethical considerations are discussed in full.
- **Chapter 4: Data Analysis-**This chapter reveals the findings of the fieldwork. The results are presented and explained with the aim to provide answers to the research questions.

- **Chapter 5: Conclusion and Recommendations-** The chapter focuses on conclusions and recommendations. An explanation is provided on how the conclusions relate to the literature. The value of this study is suggested and other areas in financial management decision-making that require further research are highlighted.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The funding of public education and the management of school finances are old concepts that are embedded in South Africa's past history. The principle 'user charge' originated in the years during the formalisation of education systems in South Africa. Today, school financial management practice has to address the complex needs of the changing school environment. The focus of this chapter of the research report is on financial management processes in schools, based on the legal requirements of the South African Schools Act, 84 of 1996 and the National Norms and Standards for School Funding of 1998.

The chapter is structured to narrate the researcher's readings on critical issues related to this study in terms of the following headings:

- Historical background to financial management in South African public schools;
- Challenges related to financial management in public schools;
- Legal requirements for, and financial management decision-making in, public schools;
- Educational backgrounds and financial skills of school governing body (SGB) members and financial management decision-makers in public schools;
- Financial management decision-making processes in public schools;
- International perceptions of financial management decision-making in public schools; and
- Financial management in public schools.

2.2 HISTORICAL BACKGROUND

In terms of the historical background to financial management in South African public schools, it is deemed necessary to explore decision-making prior to 1994 and after the introduction of the South African Schools Act at the beginning of 1997.

2.2.1 Financial Management Decision-Making Prior to 1994

When examining the history of South African education, it seems that Apartheid had a negative impact on the system. It is acknowledged that education under the apartheid system there was an imbalance in practice and most learners were exposed to a deficient education (Reyneke, 2010:72). The existing school structures included parents with no decision-making powers (Tsetetsi, Wyk & Lemmer, 2008: 386).

The system comprised seventeen different Departments of Education, including the House of Assembly's Department of Education and Culture (serving white learners); the Department of Education and Training (serving black learners); the House of Delegates (serving Coloureds); and the House of Representatives (serving Asian/Indian communities) (Van Rooyen, 2012:82). The numerous education departments used different methods of school governance, such as school committees, school boards and management councils (Lekonyane & Maja, 2014:2), which implies that there was no uniform system of school governance and this affected the way in which financial decisions were made in the different schools.

Before 1994 South African school activities lacked regulation in several education departments which affected teaching and learning negatively (Mestry & Bisschoff, 2009:15). Mestry (2006:27) is also of the opinion that the school systems prior to 1994 lacked financial and management accountability due to a monopolisation of power and the imperfect legality of governmental powers that were in place.

The system by which schools were governed was autocratic; power was centralised in a few members and decisions were taken without consulting the entire school community (Dibet, 2015:1). According to Hansraj (2007:21), financial management in schools prior to 1994 could be described as a top-down budgeting approach with a great deal of interference from the departments of education in operational matters of schools; Departments of education claimed accountability for public school funding which implies that there were no shared financial management decision-making powers in public schools before the introduction of the South African Schools Act on 1 January 1997.

2.2.2 Financial Management Decision-Making after the Introduction of the South African Schools Act

After 1994 new legislation, such as the South African School Act, 84 of 1996 (hereafter referred to as the Schools Act); the National Education Policy Act, 27 of 1996; the National and Norms and Standard for School Funding of 1998; and the No-Fee School Policy, has been enacted to correct the imbalance within the education system. The introduction of the South Africa Schools Act of 1996 opened up a practice of decentralization of decision-making, involving communities in school management (Mestry, 2004:130). The Schools Act, therefore, introduced decentralised decision-making into the South African schooling system.

The Schools Act has resulted in more decision-making authority and responsibility being transferred to those at school level than previously (Mestry, 2006:27). The implementation of the Schools Act now places great financial management responsibilities on school governing bodies (SGBs) and principals (Moloi, 2007: 468). The Schools Act prescribes how financial management must be carried out in schools. It provides guidelines for SGBs and stipulates the duties and functions of the principals regarding school financial management (Republic of South Africa, 1996).

2.3 FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES OF SCHOOL GOVERNING BODIES

The Schools Act introduced school governing bodies to involve communities in school governance. The composition of the SGB is such that it involves all relevant stakeholders in school governance; it is comprised of principals (*ex officio*), parents, teachers, a non-teaching staff member, community representatives and learners from Grade 8 upwards. According to Section 20 of the Schools Act, the functions of all SGBs are the following:

to encourage the best interests of the school and try to ensure its development through the provision of quality education for all learners at the school; to develop and implement a constitution; to develop the mission statement of the school; to adopt a code of conduct for learners at the school; to support the principal, educators and other staff of the school in the performance of their professional functions; to

recommend the appointment of staff; to determine times of the school day consistent with any applicable conditions of employment of staff at the school; to administer and control the school's property, buildings and grounds occupied by the school; to encourage parents, learners, educators and other staff at the school to render voluntary services to the school.

Section 21 of the Schools Act provides additional functions for SGBs that can only be implemented after an application has been made by schools to the provincial Head of Department guaranteeing that they can operate effectively with the additional functions. Such additional functions are:

to maintain and improve the school's property, buildings and land occupied by the school, including school hostels if applicable; to determine the extra-mural curriculum of the school and the choice of subject options in terms of provincial curriculum policy; to purchase textbooks, educational materials or equipment for the school; to pay for services to the school and to provide adult basic education and training classes (Republic of South Africa, 1996).

Section 21 schools, which this study focuses on, are referred to as self-managed schools (Mestry, 2016:3). This means that decision-making powers are decentralised among the stakeholders, including those related to school financial management. Public schools with Section 21 functions have the advantage of selecting their own suppliers, instead of depending on the district office to purchase teaching materials for them and to negotiate the quoted prices to minimize cost (Mestry, 2016:2). The state allocation, as determined by the National Norms and Standards for School Funding, is deposited directly into the bank accounts of all public schools and any unspent money for a current year-end is carried forward to the following year.

SGB members, including principals, are expected to work together as a team to perform the functions prescribed by the Schools Act in order to achieve the objectives of their schools. Some commentators, however, contend that there is often a lack of collaboration between principals and the parent governors of schools (Mestry & Govindasamy, 2013:439; Mestry, 2006:33). Mestry and Govindasamy (2013:431) argue that principals are expected to develop processes for genuine teamwork to allow SGBs to participate in school governance. Principals and other school governing body members have matching roles and ought to have a cooperative relationship at all the times (Mestry & Govindasamy, 2013:432). The question, however, is: *Do principals*

and other members of the SGB work together when performing their financial management roles?

SGB financial management functions and responsibilities are clearly stated in Sections 36, 37, 38, 42, 43 and 44 of the Schools Act. The financial responsibilities given to SGBs require them to have a good understanding of the prescriptions of the Schools Act as well as other relevant financial knowledge; this can influence the way SGBs meet their financial responsibilities. Establishing proper financial management decision-making processes will also accelerate the process of effectively managing school funds.

According to Section 20 of the Schools Act, SGBs are given mandatory financial functions and responsibilities, such as establishing school funds; keeping financial records; appointing auditors; and augmenting schools' funds. Principals, on the other hand, must support and assist SGBs in carrying out their financial responsibilities (Republic of South Africa, 1996). The decision reached in the case of *Schoonbee v MEC for Education Mpumalanga* made it clear that principals have an obligation to assist and support SGBs in the performance of their mandatory functions relating to the schools' financial management. In referring to the Schoonbee case, Mestry (2013:176) emphasizes that SGBs, which include principals, are answerable for effective and efficient school financial management. SGBs as collectives are, therefore, accountable for the finances of schools and not the principals alone.

In order to ensure the effectiveness of financial management roles and responsibilities of SGBs, it is essential that their members who are tasked with financial decision-making have a clear understanding of financial management decision-making processes that should be used in schools.

2.4 FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES OF PUBLIC SCHOOL PRINCIPALS

Section 16(3) of the Schools Act stipulates that principals should carry out their professional management roles in public schools according to the authority given to

them by the Head of Department. Section 16A (2) elaborates on what the professional management roles of principals are; in their professional management duties they are instructed to be present and to contribute in all meetings of SGBs and to support them in their management of school finances by advising them of the consequences of decisions related to financial issues. Principals are the people who are really acquainted with the routine financial needs of schools. Principals' participation in all SGB meetings enable them to inform the governing bodies of the real financial situations of the schools and also allow them to take part in the decision-making processes. This participation facilitates complete and enrich financial decisions.

Principals must ensure that school funds are best utilized to advantage the learners in proper discussions with the applicable structures (Mestry, 2004: 128). Beyers and Mohloana (2015:345), however, are of the opinion that principals' efficiency and skills to carry out good financial decisions are questionable. Furthermore, Bagarette (2012:104) and Botha (2012:269) maintain that principals, rather than any other members, play the dominant role in SGBs with regard to decision-making in schools. The context in which Bagarette (2012:100) and Botha (2012:256) conducted their research are schools with diverse social and economic capacities and most of them are situated in township and rural areas where learners' parents cannot afford school fees. In contrast, this study focuses on schools situated in the urban areas where parents can pay school fees.

2.5 FUNDING OF PUBLIC SCHOOLS

A public school is a juristic entity which has a legal power to carry out its duties in accordance to the stipulations of Schools Act (Republic of South Africa, 1996). This implies that by law, the school may be compared to a representative person with rights and duties who can sue and be sued and can possess goods and property. The school has the legal capability to engage in any required action that will enable it to provide education for learners registered at that school (Van Rooyen, 2012:31). This means that schools have the right, in agreement with the prescriptions of the Schools Act, to embark on any activity that will enable them to provide for their and their learners'

needs. Activities, such as financial management in schools, should be conducted using proper decision-making processes.

Section 34 of the Schools Act prescribes that it is the duty of the government to fund public schools from the public income on an impartial basis to redress the inequalities of previous education provision. In order to increase the value of education offered by schools to all learners, Section 36 (1) of the Schools Act stipulates that SGBs must supplement resources supplied by the state. This is usually achieved through fund-raising activities carried out by SGBs and includes the levying of school fees, voluntary donations, renting out of school facilities and operating tuck shops on school premises. According to Van Rooyen (2012:30), there are three major role players responsible for education in South Africa, namely: the state (to fund schools from public funds); parent communities (to raise funds through SGBs); and other stakeholders (through private funding).

The Gauteng Schools Education Act, No. 230 of 2014 stipulates that income for public schools can only be generated from the following sources: government grants or subsidies; school fees, if they are fee-paying schools and fees are agreed on by the parents at an annual general meeting (AGM); profit made from tuck shop sales; cash donations received; asset disposal; fundraising income; interest income from investments made; and proceeds from the rental of school premises and furniture. In as much as there are several ways permitted by the regulation to allow schools to generate funds for management, schools should be able to identify the most suitable and convenient ways to maximise the utilisation of funds in terms of effective decision-making processes among the relevant stakeholders.

2.5.1 School Fees at Public Schools

Section 39(1) of the Schools Act stipulates that public schools may charge school fees as long as a decision to do so has been made by the most of the parents present at the AGM. This implies that fees may be charged in public schools only if most of the parents who attend the AGM of a school agree to do so - a very important decision-making process that binds parents in being accountable. However, Section 39(7) of

the Schools Act allows for an exemption to Section 39(1) whereby the Minister of Education must, by means of a notice in the Government Gazette, annually identify public schools in national quintiles that may not charge school fees. This is done in order to accommodate parents in poor communities who cannot pay school fees.

Since the focus of this study was on fee-paying public schools, supplementing school resources through the payment of school fees was more relevant to this study. Some authors believe that a fee-paying policy in schools restricts learner admissions to such schools as some parents are poor and cannot afford the fees charged (Mestry & Bischoff, 2009:55; Hindle, 2007:150). This should not be the case as the Regulations for the Exemption of Parents from the Payment of School Fees (2006), which was published in terms of the Schools Act, allows for poor parents to be exempted from the payment of school fees. Mestry (2016:1) argues that the levying of fees enables SGBs to provide their schools with the most recent and relevant physical resources and to supplement the employment of teaching and non-teaching staff, not provided by the Department of Basic Education.

2.6 NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING

The National Norms and Standards for School Funding (NNSSF) provides a statutory basis for school funding which results in the classification of schools into those serving poor communities and those serving rich communities. The introduction of the Education Laws Amendment Act, No. 31 of 2007 provides a legal directive for the Minister of Education to establish quintile norms and minimum standards for the funding of public schools (Mestry, 2013:174). Schools are divided into Quintiles 1 to 5. Quintile 1 and 2 schools are those generally situated in rural and township areas; Quintile 3 schools serve middle class communities and these schools are declared no fee-paying schools; and Quintiles 4 and 5 schools are situated within affluent areas and are fee-paying schools (Mestry, 2016:3).

Quintile 1, 2 and 3 schools are regarded as the poorest schools and they receive nearly six times more subsidy per learner than the wealthier schools (see Table 2.1 below). This method of classifying schools is intended to rectify historic disparities in

education (Dibet, 2015:22). The national table of targets for school funding was established to ensure that there is an equal and fair distribution of state funds to public schools (Marishane, 2013:13).

Table 2.1: National Table of Targets for School Funding (2014-2017)

	2015	2016	2017
Quintile 1	R1,116	R1,177	R1,242
Quintile 2	R1,116	R1,177	R1,242
Quintile 3	R1,116	R1,177	R1,242
Quintile 4	R559	R590	R622
Quintile 5	R193	R204	R215
No-Fee Threshold	R1,116	R1,177	R1,242
Small Schools, National Fixed Amount	R25,843	R27,264	R28,764

(Source: Department of Education, South Africa, 2014)

The Schools Act, in terms of the NNSSF, provides the legal foundation for school funding - aimed at addressing equity in public school funding. According to Mestry (2013:175), the benchmarks used by provincial departments of education for ranking schools into quintiles are not properly and regularly followed, which leads to serious problems for some poorer schools. He is of the opinion that improvement is evident concerning the reasonable distribution of public income by means of the NNSSF, but that great inequality continues to exist. A sound knowledge of decision-making processes with regard to school financial matters may reduce the disparities in schools because it will lead to the effective and optimal use of available financial resources.

2.7 THE ROLE OF FINANCE COMMITTEES IN PUBLIC SCHOOLS

In order to ensure effectiveness in financial management decision-making in public schools, Section 30 of the Schools Act instructs that SGBs should establish finance committees. Section 30 (1b) specifies that the appointment of finance committee members must be on the basis of expertise and a member of the SGB must chair that committee which implies that SGBs are expected to appoint people, who are skilful and knowledgeable about financial management, to the schools' finance committees. Section 16A (2) (j) is significant in that it stipulates that the principal must be a member of the finance committee of a public school to ensure that he/she is part of every financial decision made by the finance committee.

The Gauteng Provincial Gazette, No. 230 of 2014 states that the finance committee should comprise at least five members of which the majority must be parents. Also, specifically stated are the duties of the finance committee and a vital task of the finance committee is to make recommendations to the SGB on financial issues. Relating this central function to decision-making implies that the financial issues of schools should not rest solely decided with the main school governing bodies but that informed or professional suggestions should be made by the finance committees in order to enhance robust finance decision-making in schools. Another function of finance committees is to hold a meeting once a month as frequent meeting will provide opportunities for further deliberation and discussion which will enhance effective financial management decision-making.

Finance committees are delegated duties to execute finance functions, including the development and implementation of a finance policies; the preparation of school budgets and their control; checking and authorising all expenditure; and ensuring that all purchases are made by means of normal quotation and tendering processes (Mestry, 2004:131). For finance committees to execute their financial duties properly, SGBs must make sure that there are appropriate decision-making processes in place which can be achieved by ensuring that financial management decision-making

processes contained in the schools' finance policies are according to the stipulations of the Schools Act and also that they are properly adhered to.

To ensure good financial management, the finance committees' responsibilities must be clearly defined and boundaries of delegated power must be recognised (Mestry & Bischoff, 2009:4). Mestry and Naidoo (2009:109) argue that effective and efficient financial management in schools depends on the finance committees' skills as well as the honest and fair execution of their duties. Mestry (2004:131) suggests that finance committees must conduct regular meetings and that SGBs must ratify every financial decision made.

2.8 FINANCIAL ACCOUNTABILITY IN SCHOOLS

Accountability means accounting for activities undertaken or being held answerable for those activities (Mestry, 2004:127). Robinson and Timperly (2000:67) describe accountability as the act of reporting on responsibilities given to evaluate the satisfactory performance of those responsibilities. Mestry (2004:128) further describes accountability as taking place when authorities call on an individual/s or group/s in schools to give account of their actions and/or decisions. Spaul (2013:59) relates accountability and capacity to quality education when he describes accountability as giving account for results or actions and accepting responsibility for those actions. Spaul (2013:63) concludes that in order to experience any improvement in the South African schooling system, there must be an increase in both accountability and capacity.

Financial accountability in schools is being responsible and accountable for school financial activities. Responsibility is the obligation placed on people to perform their appointed task to the best of their ability (Mestry & Bischoff, 2009:73). Van Rooyen (2012:12) views responsibility as the task which must be carried out in order to achieve a specify objective and refers to obligation as the duty that rests upon individuals/structures as soon as they accept that responsibility. He further describes accountability as the obligation of a person to give account for actions taken or called upon by a third party to give account of the actions taken. This is in accordance with

the opinion of Mestry and Bischoff (2009:74) who maintain that accountability involves two responsibilities: the first is to perform the appointed task accordingly and the second is to give account on the task/duty carried out. This implies that financial accountability in schools involves two responsibilities: one to carry out the financial obligations and the second to give account to the relevant parties on the financial obligations carried out.

Financial accountability in schools is the basis of certifying that schools spend funds received by them for the main purpose of making headway in the best interests of the learners (Xaba & Ngubane, 2010:139). SGBs are allocated financial accountability roles to manage school finances that include the duty to account for the financial decisions in a legally stated manner (Van Rooyen, 2007; Republic of South Africa, 1996). Therefore, SGBs that include principals are indebted to carry out financial activities according to the stipulations of the Schools Act and to report to the relevant interested stakeholders. Xaba and Ngubane (2010:143) add that by law SGBs are responsible for following the principles of school financial accountability, which is achieved through the application of appropriate financial management and accounting systems; SGBs are responsible for accounting to school financial management structures.

According to Van Rooyen (2012:128), SGBs are accountable to

the parent community who elected them; the state for all the functions lawfully allocated to them in term of section 20 and 21 of the Schools Act as it relates to school governance; the state for the management of the public money allocated to the school for a given financial year; the parent community for the management of public money paid into the school account; all private institutions who donated to the school fund; all stakeholders for the preparing, consent and accountable management of the school's budget; and both state and the parent community through the audited financial statements and giving feedback to the parents at the annual general meeting.

2.9 FINANCIAL MANAGEMENT POLICIES AND PRACTICES IN PUBLIC SCHOOLS

To guarantee effective and efficient financial management in schools, SGBs must ensure that there are sound and flawless financial policy practices in their schools (Mestry, 2013:168). One of the roles of SGBs is to design school policies that should be executed by principals and teachers alike (Mestry, 2013:163). The policies to manage the school finance must be applied by all relevant stakeholders.

In as much as SGBs are tasked to design financial policies for the effective financial management of schools, the policies must not contradict any relevant laws as this would hinder effective financial management decision-making processes. This point is illustrated in the case: *Head of Department, Department of Education, Free State Province and Governing Body of Harmony High school. Case: CCT 103/12 [2013] ZACC 25* where the SGB of Harmony High School adopted a pregnancy policy that required any learner who fell pregnant to be excluded from the school. A learner in Grade 10 fell pregnant and in terms of the school pregnancy policy the learner was prevented from writing her promotion examination to Grade 11. The judge ruled that the policy adopted by the school governing body violated the constitutional rights of the learner and that the policy should be reviewed. This case confirmed that any policy adopted by an SGB must comply with the Constitution, the Schools Act and other relevant laws.

Policies to manage school funds must be agreed upon by all important stakeholders and implemented as agreed (Mestry, 2004:131). Motsamai, Jacobs and De Wet (2011:114) concur by suggesting that when stakeholders are involved in a school's financial matters, it means that things are explained to them in a way that values their participation. This suggests that in order to develop a school's financial policy, the relevant stakeholders must be properly consulted and involved in finance decision-making.

2.10 FINANCIAL MANAGEMENT DECISION-MAKING CHALLENGES IN PUBLIC SCHOOLS

Different challenges are faced by SGBs when making financial decisions. Despite several training initiatives from the Department of Basic Education, financial management at several schools appears to be beset with problems (Mestry, 2006:27). Korose, Ngware and Sang (2009:1) confirm this in identifying a lack of financial transparency as one of the challenges manifested in schools. Similarly, Xaba and Ngubane (2010:140) argue that the poor management of school finance is due to financial illiteracy, a lack of training and dishonesty in some school principals and SGBs.

According to Mestry (2004:126), the challenges of financial management in schools are because many principals and SGB members do not possess adequate financial competencies and expertise. Mestry (2004:127) found that the Department of Basic Education does not have practical measures to train stakeholders with regard to financial matters and difficulties they encounter. This is in contrast to Section 19 of the Schools Act that specifies that the education authorities should provide entry-level and ongoing training to governing bodies to boost the effective operation of their duties.

Mncube (2009:93) maintains that SGB members regularly agree to decisions taken by principals because they are scared of being accused of disloyalty. They, therefore, pretend to participate in decision-making processes. Serfontein (2010:99) also argues that SGBs sometimes carryout policies because of political pressure rather than in terms of their legal roles and responsibilities which distracts them from performing their allocated functions.

Citing Bush, Glover, Bischoff, Moloi, Heystek and Joubert (2006), Xaba and Ngubane (2010:140) believe that a sizeable proportion of principals in Gauteng are concerned and anxious about managing their schools' finances. Issues related to financial decision-making, as reflected by Bush *et al.* (2006), indicate that there is often some distrust between school governors and principals, following decisions by principals

and treasurers of SGBs (educators) with regard to expenses that SGBs did not budget for.

Although much research on the different challenges with regard to financial management in schools has been conducted, nothing could be found directly related to decision-making processes as they guide financial management in schools. In order to suggest solutions to the challenges identified above, there appeared to be a need to study financial management decision-making processes and how decision-making processes guide financial management in public schools.

2.11 LEGAL REQUIREMENTS AND FINANCIAL MANAGEMENT DECISION-MAKING

An absence of legal frameworks and sound policies will lead to chaos in school management - be it in a central government controlled school system or in a decentralized school system (Mestry & Bischoff, 2009:15). A set of guiding principle or regulations on how schools should be managed is essential to achieve an effective decentralized schooling system (Mestry, 2004:130).

The legislative frameworks that reinforces the financial management of schools is the South African Schools Act and the relevant Education Laws Amendment Acts (Mestry & Bischoff, 2009:16). In addition, school stakeholders involved in financial management must have a working knowledge of additional legislation, listed below, for them to be able to implement the contents of the Schools Act correctly:

- The Public Finance Management Act No. 1 of 1999 (as amended);
- Norms and Standards of School Funding (as amended);
- Judgments in court cases; and
- Employment of Educators Act of 1998.

The legislation clearly defines the rights and responsibilities of SGBs (Mestry, 2013:163). The introduction of legislation, such as the Schools Act, has resulted in more decision-making authority and responsibility being transferred to schools than

previously (Mestry, 2006:27). The Schools Act not only prescribes how financial management should take place in schools, but it also stipulates guiding principles for SGBs and the roles and responsibilities of principals as they relate to schools' financial management (Republic of South Africa, 1996).

Various members of SGBs and principals appear to have only a slight awareness of the Schools Act or they misinterpret it, resulting in unprofessional conduct in terms of school finances (Mestry, 2006:27). Beyers and Mohloana (2015:343) support this statement by arguing that school principals and SGBs are often not mindful of their duties and legal responsibilities regarding school finances.

It is important for SGBs to understand the legislation for it to be effective in making them efficient in the performance of their financial management roles (Mestry, 2013:163). Previous research shows that an understanding of the legal requirements by the stakeholders leads to effective financial management. It is also vital to know how stakeholders' understanding of the legal requirements influences financial management decision-making processes - one of the questions this study aimed to investigate.

2.12 EDUCATIONAL BACKGROUND, FINANCIAL SKILLS AND FINANCIAL MANAGEMENT DECISION-MAKING

When discussing financial management capacity, the focus falls on how well someone can display skill, knowledge, ability and power to perform a task. Some studies report on the skills, roles, function and capacity of principals and school governing body members as they relate to the management of funds in schools (Beyers & Mohloana, 2015; Rangongo, 2011; Mestry, 2006).

The obligations assigned to SGBs by the Schools Act requires them to develop a wide range of knowledge and skills as well as the capacity to handle the complex matters and duties that they are expected to perform (Mestry, 2016:2). Mestry (2016:2) contends that it is vital for SGB members to have a sound financial knowledge and skills that empower them to manage their schools' financial and physical resources

effectively, efficiently and economically. This is in agreement with the prescriptions of Policy on the South African Standard for Principals (2016) which states that school principals must have a good knowledge of the following:

- Processes for the effective and fair distribution and placement of human, financial and physical resources and all other assets, as well as procurement processes aimed at achieving the schools' main objectives;
- Effective procurement practices for acquiring, maintaining and managing all the school assets;
- Decision-making and financial and budgetary planning and management; and
- The specific means of supplementing school funds.

Mestry and Hlongwane (2009:325) state that

many principals and other school governing bodies face tremendous pressure to manage their schools' finances because they are unable to find practical solutions to financial problems on account of their lack of financial knowledge, skills and expertise.

This means that their decision-making skills should be well-honed to enable efficient financial management. The statement made above shows that some principals and SGBs lack financial management capacity, or it may seem that they are not fully prepared for their new responsibilities.

A lack of financial management capacity will adversely affect effective and efficient financial management which, finally, will affect the quality of education. Sound financial management knowledge and skills are essential to manage schools effectively (Speculand, 2014:29). Xaba and Ngubane (2010:139) add that good financial management in schools is essential to the achievement of all teaching activities of any school. It is, therefore, clear that the lack of financial knowledge, skill and capacity of principals and governing bodies will negatively affect financial management decision-making.

In order to solve this problem, suggestions are made by different scholars on what should be done (Beyers & Mohloana, 2015; Mestry & Govindasamy, 2013; Xaba &

Ngubane, 2010). Generally, it is agreed that principals and SGB members should receive continuous financial training in terms of the prescriptions of Section 19 of the Schools Act. Mestry and Hlongwane (2009:338) recommend that training packages should be fitting, specific to need and gainful to ensure that all governors know the direction in which schools want to move. They add that the relevant stakeholders (principals and SGBs) should identify areas, related to financial management, where they should receive training. The educational background and financial skills of stakeholders, tasked with school financial management, influence financial decision-making processes in schools.

2.13 DECENTRALISATION OF FINANCIAL MANAGEMENT DECISION-MAKING PROCESSES

Decentralisation is described as the transfer of decision-making powers from higher to the lesser levels of authority (Botha, 2012:263; Serfontein, 2010:38). Mestry (2013:163) suggests that decentralisation enables stakeholders to be involved in issues that directly affect them and which bring about a strong manifestation of the different abilities and variations of power and influence at control level. This implies that the decentralisation of decision-making will give all stakeholders an opportunity to exhibit their skills as they deliberate on matters of concern and its influence will be manifested at different stages of their involvement.

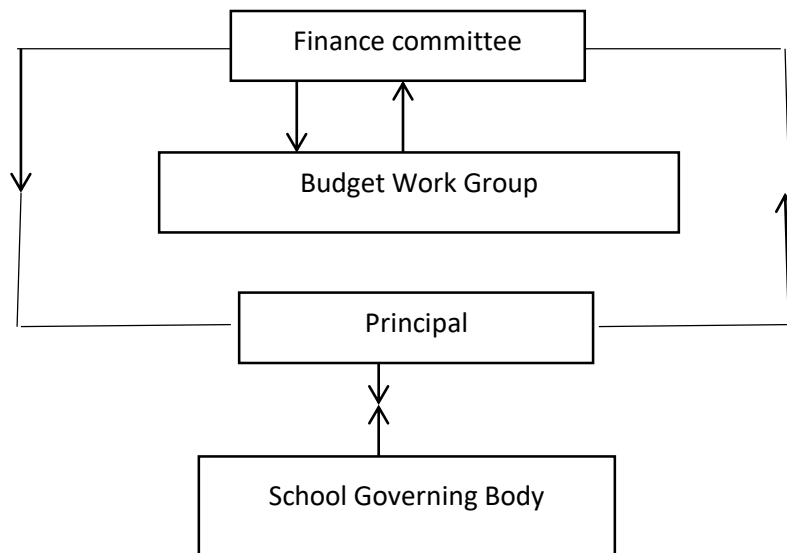
Decision-making is defined as the process of making choices from different alternatives to achieve desired goals (Eisenfuhr, 2011). According to Dodd and Konza (2002:150), decision-making should involve total participation by, and consultation with, all stakeholders in schools in order to ensure a harmonious relationship among educators, parents, learners and the community. Decision-making is one of the most important activities in which school managers engage on a daily basis and the success of schools or school districts is critically linked to effective decisions (Lunenburg, 2010:1). Lunenburg (2010:1-2) contends that decision-making affects the performance of schools and the welfare of the stakeholders of schools - students, teachers, parents and the community.

The decentralisation of decision-making in the South Africa education system was achieved through the introduction of the South Africa Schools Act. One of the fundamental assumptions underpinning the Schools Act is that stakeholder participation in decision-making in schools must be ensured (Khuzwayo, 2009). This includes their participation in schools' financial management decision-making processes. Decision-making is core to school management processes and financial management decision-making is crucial in terms of general school processes (Newcombe & McCormick, 2001: 182).

According to Newcombe, McCormick and Sharpe (1997:94), the devolution of financial management decision-making to schools has some serious implications for principals and teachers to successfully achieve the effective operation of their roles in this process as careful strategic management is needed. Newcombe and McCormick (2001:182) differentiate first-order financial decisions from second-order ones. First-order financial management decisions focus on formulating full school budgets and the allocation of financial incomes to separate cost centres in schools; second-order financial decisions involve the provision of resources for classroom teaching (technical financial decision) and the purchase of, and repairs to, the schools' plants and equipment not related to teaching (operational financial management decisions) (Newcombe and McCormick, 2001:184). In other words, financial decision-making should be systematic and specify the flow of apportionment of exact sums of money to individual programmes.

Newcombe, McCormick and Sharpe (1997:99) suggest a financial decision-making model which describes what financial management decision-making processes should be like and where school management values are built on a trust belief (see Figure 2.1 below).

Figure 2.1: Financial Decision-Making Model Adapted by Newcombe, McCormick and Sharpre (1997)



(Source: Newcombe, McCormick and Sharpre (1997) Financial decision making: teacher involvement and the need for trust)

This financial decision-making model assumes that the finance committee prepares the budget after collecting the budget draft from the heads of department in the school (cost centre managers) which displays the expected revenue and expenses. The draft budget is given to the budget work group (comprising the principal, a representative from the school governing body and all cost centre administrators) to make necessary adjustments should there be areas where expenses are more than the expected income. The finance committee then prepares the final budget which will be presented to the principal, other SGB members and parents for approval. The authors describe the functions of the school finance committee as including: to calculate approximately the school annual income; to forward important information to all cost centre administrators to assist them with the preparation of their budgets; to gather and check budget information from all cost centres; and to formulate a document which shows all the expected income and expenditure - as submitted by the cost centre managers. The school finance committee does not have a decision-making responsibility but only acts as a fair collator and provider of financial information (Newcombe *et al.*, 1997:99).

The financial decision-making model of Newcombe *et al.* reflects the processes of financial management decision-making and the financial decision-makers in the flow. This study, however, aimed at exploring factors influencing decision-makers as they relate to planning, organising, controlling and reporting school finances and who influences financial management decision-making in schools. As stated in the findings of the research done by Mestry (2006:34), relevant stakeholders are often left out of making financial decisions simply because principal and SGB chairpersons do not keep them informed.

Mestry (2006:35) also found that principals and SGB chairpersons rarely discuss important decisions with other relevant members and concluded that there was no transparency. Research has indicated that some principals permit little or no subordinate involvement in school decision-making processes because such involvement is seen as a waste of time due to the level of education of members of the governing body (Mokoena, 2011:130; Mncube, 2007:135).

The schools in which the above researchers (Mestry, 2006; Mncube, 2007; Mokoena, 2011) carried out their studies are mainly situated in township and rural areas. The majority of parent of learners who attend the schools cannot afford to pay school fees because of their relatively poor socio-economic background. Hence, there was a need to carry out a study in schools situated in more affluent areas where parents can pay school fees to be able to discover whether there may be some contradictory findings.

2.14 INTERNATIONAL TRENDS WITH REGARD TO FINANCIAL MANAGEMENTDECISION-MAKING IN SCHOOLS

Internationally, there is a robust movement to decentralize schools' financial management (Mestry & Hlongwane, 2009:325). The primary motivation for this movement is to increase the levels at which schools manage their own financial affairs (Newcombe & McCormick, 2001:181). Landeka (2015:5) argues that the reason behind the introduction of decentralised school systems in different countries varies

which implies that every country has different motives for adopting a decentralised school system.

In the United States of America (U.S.A) the motivation behind the introduction of the Charter School Programme is mainly to make a decentralised system available to substitute the centralised and bureaucratic provision of an education service (Bifulco & Ladd, 2006:554). The key purpose of most Charter School regulations is to create a new type of school from the traditional public schools where school management teams have substantial independence over the choice of curriculum, learning instruction, recruitment of staff, school budget and student discipline. This is in line with what Forman (2007:843) concludes: that Charter Schools are a change in the direction of decentralisation; in a sense they deviate from the bureaucratic model of service delivered by a single autocratic government entity. It implies that Charter Schools are schools that function under a decentralised decision-making school system.

In England the Education Reform Act of 1988 enacted an organisational decentralisation in order to decentralise school budgets (Reyes & Rodrigues, 2004:13). The Reform Act led to the central government granting schools greater control over the management of their own resources (Wood & Simkins, 2014:325). The outcome of Education Reform Act was the introduction of independent schools called Academies in 1990 that are funded by the government and modelled like the U.S. Charter Schools with the aim of increasing parental involvement and institutional autonomy (Bhattacharya, 2013:95).

In India the National Policy on Education placed an emphasis on the importance of the decentralisation of planning and management at all levels in schools and greater community participation was endorsed (Mukandan & Bray, 2004:228). With reference to Abash (1996) and Gaiba (1997), Mukandan and Bray (2004:228) conclude that state governments are expected to transfer sufficient powers, responsibilities and finances to elected governing bodies for them (school governing bodies) to organise, plan and establish systems for economic development and social justice.

In New Zealand decentralized schools were promoted to give parents a say in their children's education and in local school management (Court & O'Neil, 2011:119). Court and O'Neil (2011:131) add that elected parent boards of trustees were granted greater control and decision-making authority over the schools' disbursement of government allocations for staff and day-to-day operations. Watson (2013:76) argues that the school strategic plan approved by the Ministry of Education influences financial management decision-making in schools (Watson, 2013:76). He found that the principal now has the dominant say when it comes to financial management decision-making processes.

In Kenya research conducted by Korose, Ngware and Sang (2009:75) suggests that parental participation in schools' financial management is low. They recommend that there should be appropriate representation of parents on school committees which will increase parental involvement in financial management decision-making.

2.15 FINANCIAL MANAGEMENT IN PUBLIC SCHOOLS

It is important to understand financial management and all that it entails to achieve the aims and objectives of an organisation - be it a profit-making one or not. Although schools, as organisations, are not primarily concerned with profit-making, they have some set goals that may only be achieved by means of a sound knowledge and application of financial management. Financial management is related to how organizations make decisions on sourcing funds and how to control financial resources by exerting financial controls, the sensible allocation of financial resources and accountability processes (Munge, Kimani & Ngugi, 2016:91).

In school settings financial management is described as the execution of management actions related to monetary elements of schools with the intention to realise quality education (Mestry, 2013:165, Mestry & Bischoff, 2009:59). Botha (2013:215) describes financial management in schools as a process of planning, coordinating, organising, monitoring and controlling monetary resources. Mestry (2016:3) argues that financial management is a process that involves various activities, like identifying, gathering, evaluating, interpreting and communicating financial information.

Makhubela (2005:7) sees financial management in schools as the financial activities carried out by the stakeholders to attain the joint goals of the schools while Campher (2003:2) considers financial management in schools to be the ways in which economic and accounting activities are carried out in schools which affects every other part of the school system.

In addition to the above, management functions, such as planning, organising, controlling and coordinating, should be applied when making school financial decisions in order to achieve the main aim of a school's endeavour: quality education. When making financial decisions, it is important for represented school stakeholders to understand some financial concepts, given below, to arrive at common goals. Equally, proper financial management in school is a vital ingredient to the success of all teaching activities of any school (Xaba & Ngubane, 2010:1).

2.15.1 Financial Accounting

Financial accounting is described as the process of recording, analysing, interpreting and communicating the financial information of an enterprise. According to Campher (2003:2), financial accounting is an important aspect of financial management in schools. Sound financial management in schools is important to ensure that there is a perfect system for the financial recording of all transactions (Mestry & Bischoff, 2009:124). It is also vital to observe financial accounting principles, such as Generally Accepted Accounting Procedures (GAAP) and International Financial Reporting Standards (IFRS) when recording and reporting financial transactions.

School financial accounting is important because it provides a basis for holding school administrators, and specific policy-makers, accountable for their decisions and performance (Van Rooyen, 2012:125). Therefore, it is vital that principals and other SGB members who are tasked with school financial management should, at least, have a basic knowledge of accounting concepts which include the following:

- **Financial transactions** which are defined as the give-and-take of money or services between two or more people or groups (Mestry & Bischoff, 2009:126).

- **Source documents** are documents containing information about transactions that have taken place. They serve as an evidence of financial transaction that have occurred. Examples of source documents are: receipts, invoices, debit orders and bank statements (Mestry & Bischoff, 2009: 128).
- **Assets** are resources under the control of an organisation as a result of previous actions and from which future gains are anticipated to flow to the organisation (Bezuidenhout, 2015:31). Assets could be current assets, such as stock, cash, prepaid expenses and debtors and non-current assets could include furniture, equipment, vehicles, machinery, land and buildings.
- **Liabilities** refer to the amount of money or debts that the school owes other people or companies, such as textbooks bought on credit from a stationery shop. (Mestry & Bischoff, 2009:127).
- **Income** is defined as economic benefits accruing to the enterprise during the accounting year in the form of cash inflow (Fried, Leith & Roode, 2016:17). Examples are: school fees, provincial departmental allocations and money received from fund raising activities at the school.
- **Expenditure** is expenses incurred or money spent to achieve an aim or objective.
- A **Ledger** is a book in which the financial transactions are recorded; it is divided into two sides, a debit and a credit one.
- **Debit entries** are made when recording transactions from the source documents; any money accruing to the school is debit in the ledger. The debit side is at the left-hand side of the ledger (Campher, 2003:3).
- A **credit entry** is any amount the school is spending or has spent and the details are recorded in the credit side of the ledger. The credit side is at the right-hand side of the relevant ledger account (Campher, 2003:3).
- **In accounting, the double entry principle** means that for every debit entry there must be a corresponding credit entry. This implies that every transaction must have double sides. The double entry system was put in place in order to remove miscalculations in the recording of transactions (Mestry & Bischoff, 2009:127).

- **Accounting Equation** means that if all the school's assets were sold and all its liabilities settled, the balancing figure will be the accumulated funds which represents the school's financial position [Asset = Liabilities + Accumulated fund] (Mestry & Bischoff, 2009:137). An example of a statement of financial position is shown in Table 2.2 below (Bezuidenhout, 2015: 8).

Table 2.2: Impact Primary School Statement of Financial Position as at 30 June 2016

	NOTE	RANDS
ASSETS:		
Non-current assets:		
Property, plant and equipment	2	00.00
Financial assets		00.00
Current asset:		
Stocks	3	00.00
Debtors	4	00.00
Other current assets	5	00.00
Cash and cash equivalents	6	00.00
Total assets		00.00
EQUITY AND LIABILITIES		
Equity	7	00.00
Non-current liabilities:		
Long term loan	8	00.00
Current liabilities:		
Trade and other creditors	9	00.00
Total equity and liabilities		00.00

The financial position format shown above indicates that the addition of the entire school assets (current and non-current asset) must be equal to the addition of the school's liabilities and the school's equity.

- **A financial statement** is a manageable format representation of a school's income and expenditure account and its balance sheet (Mestry & Bischoff, 2009:132). The preparation of a financial statement must be in line with the basic accounting principles of the International Financial Reporting Standard (Bezuidenhout, 2015:13).

The financial position format shown above stipulates that the addition of the entire school assets (current and non-current) must be equal to the addition of the school's liabilities and the school's equity.

2.15.2 Financial Planning

Planning is vital and essential element of effective financial management in schools (Campher, 2003:19). Mestry and Bischoff (2009:98) refer to planning as the first step on the way to effective financial management. In schools, budgets should be the planning tools that reflect expected income and expenditure (Xaba & Ngubane, 2010:143). In other words, financial planning may be termed budgeting because planning is all about setting goals and formulating ways of achieving the set goals. Budgeting is also about goals setting and formulating ways of achieving the goals in monetary terms.

Kruger (2011:67) defines a school's budget as the management instrument or device that assists the governing body to estimate, plan, use, coordinate, control and measure a school's resources in financial terms. A budget is an estimation of the projected revenue and expenses of a school (Mosala & Mofolo, 2016: 393). According to Section 38 (1) of the Schools Act, the school governing body is mandated to prepare an annual budget according to the guiding principles stipulated by the Member of the Executive Council (MEC) for education in the province.

To ensure effective financial management decision-making in schools, it is important that there is a proper participation of stakeholders in budget drafting processes. Mosala and Mofolo (2016:393) state that budgeting or financial planning preparation should involve parents, learners and educators of schools, which can only be successful as a result of appropriate debate by all stakeholders. However, in practice, the research carried out by Motsamai, Jacobs and De Wet (2011:115) shows that there is an inadequate participation of stakeholders in the budgetary preparation process which may have a negative impact on transparency.

In researching the factors influencing financial management in public secondary schools in Nakuru County, Kenya, Munge, Kimani and Ngugi (2016:107) maintain that effective budgeting in schools would bring about effective financial management. Based on the

findings of their study, Munge *et al.* (2016:111) recommend that, in order to ensure sound financial management in public schools, there must be budgetary controls and all school stakeholders must be involved in the budgetary processes.

2.15.3 Financial Control

Financial control is the practice of supervising the financial management of schools (Badenhorst & Scheepers, 1995:136). According to Campher (2003:40), financial control practice involves defining financial actions in terms of the collection of money, the spending of money, the documenting of financial transactions, financial reporting and accountability.

Financial control in schools involves putting key control structures in place to prevent a loss of funds and the risk of schools not attaining their goals (Mestry & Bischoff, 2009:179). Mestry and Bischoff (2009:179) also believe that sound financial control is a vital function of effective and efficient financial management in schools and that the SGBs must institute listed control structures to ensure effective and efficient school financial management, including budgetary control, asset control, the management of stock and the management of cash. In order to ensure asset control and cash control, Section 42 of the Schools Act stipulates that SGBs must keep a proper documentation of the cash received and expended and of all assets, liabilities and financial dealings.

In their study, Munge *et al.* (2016:108) found that there is a positive and robust relationship between financial control and financial management. Therefore, it can be assumed that effective financial control systems will lead to sound financial management in schools. They conclude that financial control is fundamental in augmenting financial management in schools.

2.15.4 Financial Organisation

Financial organisation relates to the activities where the intention is to bring together all existing resources to provide a financial service in an institution (Thenga, 2012:390). According to Mestry and Bischoff (2009:74) successful financial management in schools may be achieved if it is prepared in an organised manner; it entails collecting, storing, analysing, interpreting and communicating financial information in an organised way.

Campher (2003:36) contends that in order to be effective, schools' financial management processes should be divided into administrative duties (collecting and storing financial information) and the accounting duties (financial accounting, execution of financial policy in schools and the communicating of financial information to all stakeholders). There should, therefore, also be a systematic way of implementing financial management duties.

2.15.5 Financial Reporting

Financial reporting is making known the financial state of an enterprise to its stakeholders. Financial reporting provides schools with an opportunity to account to parents, learners and community representatives on how funds received from government and those raised by the schools themselves were used. Financial reporting is a vital part of financial accountability which entails providing regular financial information to the people who are entitled to know (Xaba & Ngubane, 2010:144).

According to Van Rooyen (2012:132), SGBs should send a summary of their schools' financial positions to parents and relevant stakeholders every term to update them on the financial situations of the schools. This is in line with the requirement given in Section 43 (1) of the Schools Act that schools' financial statements must be audited by registered public accountants and auditors in accordance with the Public Accountants' and Auditors' Act. Section 43 (2) of the Schools Act stipulates that SGBs must appoint someone to inspect and report on the records and financial statements of schools if it is not reasonable and practical for them to appoint an auditor. The appointed person must be approved by the members of the Executive Council and the person must not have financial interest in the schools' affairs. The audited or examined records and financial statements of the schools must be made available at the request of any interested party - either parents or relevant stakeholders - for inspection purposes.

2.16 CONCLUSION

Studies on financial management in public schools identify discrepancies in understanding of the financial role of the principal and school governing bodies in most public schools situated in township and rural areas. In addition, there appears to be a lack

of cooperation among stakeholders; a lack of financial policies and/or of their implementation; and a lack of training amongst SGBs and principals. No research on how decision-making processes guide financial management in schools could be found. Therefore, a gap was identified in the relevant literature related to financial management decision-making and this study aimed at filling this gap by exploring financial management decision-making processes in schools situated in more affluent areas in terms of the Section 21 function of the Schools Act.

The next chapter, Chapter 3, explains the research methodology used for this study. The data analysis process, ethical consideration considered and the limitations experienced in the study are also described.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter the research methodology used for this study is discussed. To explore the financial management decision-making processes in fee-paying public schools, a qualitative research approach was chosen. The rationale for this approach and its benefit for the study are explained in this chapter. The processes of data collection and analysis are described. Attention is given to the accuracy and trustworthiness of the data as well as the ethical considerations that needed to be taken into consideration. The limitations of the study are also addressed.

3.2 RESEARCH PARADIGM

Lincoln and Guba (1994:105) define a paradigm as the “basic belief system or world view that guides the investigator.” A paradigm could be described as a group of beliefs or convictions about an existence or reality (Nieuwenhuis, 2016:52). An interpretative research paradigm was used for this study because it helps to understand how the participants created their own realities regarding financial management decision-making processes in schools by asking about them (Nieuwenhuis, 2007:59). An interpretative paradigm was deemed more suitable as it provided the researcher with greater insights into the experiences and perceptions of the participants regarding financial management decision-making processes in schools (Ferreira, 2012:35).

3.3 RESEARCH APPROACH

As this study was conducted from an interpretive paradigm perspective, a qualitative research approach was used. The primary goal of qualitative research is to understand what the participants are saying (Babbie, & Mouton, 2015:270) and attempt to obtain first-hand knowledge in the research setting (Neuman, 2011:168). Utilising a qualitative research approach afforded the researcher an opportunity to gather data directly from the source and also to understand the participants own points of view (Nieuwenhuis, 2007; Baxter & Jack, 2008; McMillian & Schumacher, 2014). The interaction between the

researcher and the participants provided a good understanding of financial management decision-making processes in public schools and, therefore, a qualitative research approach proved to be more suitable than using a quantitative method.

3.3.1 Advantages of a Qualitative Research Approach

Qualitative research affords the researcher the privilege to choose from a variety of data collection methods (McMillian & Schumacher, 2014:355). The use of both semi-structured interviews and document analysis as data collection methods enhances the trustworthiness of the data collected. In addition, a qualitative research approach helps the researcher to understand the perspective of each participant as an “insider” in terms of “thick” descriptions (Babbie & Mouton, 2015: 270).

In qualitative research, participants are studied in their natural setting which allows for greater truths to be revealed (McMillian & Schumacher, 2014:345). Semi-structured interviews conducted on the premises of each participating school enabled the researcher to relate the oral evidence of the participants to the physical situations of the schools; hence, realities relating to the study were revealed.

Qualitative research provides a possibility to address what, why and how questions and allows a researcher to clarify questions that seem confusing to the participants as well as an opportunity to probe more deeply to saturate the data (Doody & Noonan, 2013:30).

The transcription of semi-structured interviews and the document analysis provided a rich, better understanding of financial management decision-making processes in the participating schools. Qualitative data is capable of revealing greater meaning in the data (Babbie, 2007:24).

3.3.2 Disadvantages of Qualitative Research Approach

Qualitative research is said to lack rigor and objectivity as the findings could be biased by the opinions of the researcher (Paton & Cochran, 2002:2). In this study, the problems of rigor, bias and objectivity were dealt with by the use of more than one data source and the opinions and perspectives of different categories of participants, including principals, SGB chairpersons and schools’ financial managers.

3.4 RESEARCH DESIGN

A multiple case study research design was deemed most appropriate for this study because it permits the use of multiple data sources, multiple data collection methods and multiple informants in order to obtain a variety of perspectives (Baxter & Jack, 2008:543). The choice of a multiple case study design was also prompted by the research questions which focused on the what, why and how of possible perspectives. In addition, a multiple case study design facilitated a greater scope of analysis as many cases were analysed to establish whether they produced similar or different findings. This study focused on five Quintile 5 school cases situated in an urban area of Pretoria so as to supply answers to the research questions.

Case studies demand spending time within the world of those being investigated (Hamilton and Corbett-Whitter, 2013:11) and this researcher spent at least an hour with each participant during interviews at their work stations. Decision-making is not a visible phenomenon and, therefore, there was a need to obtain an in-depth knowledge of how the participants arrived at their perspectives. As every case differs in context it has unique features.

3.4.1 Rationale for Multiple Case Study Research Design

Baxter and Jack (2008:556) view a multiple case study in terms of gathering data from a variety of sources and converging the data to illuminate the case. Yin (2009:18) supports this view by saying that a case study inquiry depends on multiple sources of evidence, with data needing to converge in a triangulating way. Hence, a multiple case study design added value to this study because it helped to triangulate the data and reinforce the legitimacy of the findings.

A multiple case study design affords the researcher an opportunity to develop a better and deeper awareness of the problem being studied (Andrade, 2009:4). Therefore, the use of a multiple case study design contributed significantly to a deeper understanding of the financial management decision-making processes in the participating schools. By using a multiple case study design which enhances the analyses of several cases for this

study, several sources of evidence provided a good and deep understanding of financial management decision-making processes in public schools.

Furthermore, qualitative case studies provide researchers with opportunities to explore and describe a phenomenon in context using a variety of data sources (Baxter & Jack, 2008: 543). McMillian and Schumacher (2014:3722) agree by maintaining that case studies involve various data collection methods to provide depth. Therefore, by employing a case study design, an opportunity was provided for the researcher to have an explicit information on financial management decision-making processes by using several data collection method including semi-structured interviews and document analysis as well as the different perceptions of principals, SBG chairpersons and school financial managers to provide further depth.

3.4.2 Disadvantages of Multiple Case Studies

Gaining access to case study settings requires patient and can be a rigorous part of the research process. In this study, gaining access was not easy as initial emails sent to the principals introducing the researcher and explaining the aim and purpose of the study needed to be followed up by several visits to the schools before a one-on-one meeting with the school principals could be arranged. It was also difficult to schedule times that suited the chairpersons of the governing bodies of the participating schools.

Case study research has been criticised for its lack of scientific rigour and for providing little basis for generalisation (Crowe, Creswell, Rebertson, Huby, Avery & Sheikh, 2011:7). To overcome this disadvantage a multiple case study design was used and more than one data source was employed to enhance the rigour of the study and make the results more trustworthy.

3.5 SAMPLING TECHNIQUE

Maree (2013:173) suggests that sampling techniques are developed to show ways of drawing “scientific” samples, i.e., how to use representatives of the population whose findings can tell a researcher more about the population in general. The main aim of sampling is to obtain a representative small group of units or cases from a larger

population so that the researcher can work on the smaller group to provide accurate details about the main group (Neuman, 2003:210). Gauteng Province has a large population where the study of a representative few cases could provide a good understanding of financial management decision-making processes utilised in public primary schools. Five public primary schools were purposively selected as case study sites. The generalisation of the findings was not the purpose of this study and, therefore, a smaller a sample of the population was appropriate in order to the answer research questions (McMillian & Schumacher, 2014:350).

3.5.1 Purposive Sampling

Purposive sampling is described as non-probability sampling which the units to be examined are carefully chosen on the basis of the researcher's thoughts concerning which ones would be most suitable or representative (Babbie, 2007:184). For the purpose of this study five fee-paying Quintile 5 public primary schools situated in an urban area in Pretoria were purposively sampled to explore their financial management decision-making processes. Schools that were selected were considered to have the potential to provide more information regarding financial management decision-making processes. The choice provided the researcher with an opportunity to explore the financial management decision-making processes utilised within these schools and in their socio-economic context.

The criteria used to select the sample of the participating schools were: firstly, the interviewees needed to be experienced in, and knowledgeable about, their schools' financial management decision-making processes; secondly, the participating schools had to have a similar social-economic status; and finally, the schools had to be situated in an urban area and needed to be Quintile 5 fee-paying schools that had similar levels of infrastructure and funds. Schools are categorised in five quintiles to improve inequalities and redress the imbalances of the past. Quintile 5 schools are classified as wealthy and, generally, these schools are situated in urban areas and attract learners whose parents are well educated and financially buoyant.

3.5.2 Rationale for Purposive Sampling

Fee-paying public primary schools were purposively selected because the relevant available literature indicates that prior research (Mestry, 2006; Bagarette, 2012; Botha, 2012) has primarily been conducted in schools situated in the rural and township areas where parents cannot afford to pay school fees.

A sample of five schools was decided upon because the purpose of this study was to explore financial management decision-making processes - not to generate theories. A phenomenological study usually has fewer informants than is needed in grounded theory research to generate dense concepts (McMilliam & Schumacher, 2014:352). A study of the specific school cases assisted in uncovering experiences related to the phenomenon of financial management decision-making.

Purposive sampling is applicable when selecting unique cases that are specifically informative (Neuman, 2011:268). Therefore, purposive sampling enabled the researcher to choose participants for interviews who were most likely provide rich data, including SGB chairpersons, principals and financial managers. The reason for the selection was based on their direct involvement in financial management decision-making processes in their schools. In total there were thirteen participants in this study: five principals, five school financial managers, and three governing body chairpersons (parents); only three SGB chairpersons of the five who were approached participated due to the unavailability of the others. These participants had an in-depth knowledge of, and information concerning, school finances and made relevant decisions on an ongoing basis (McMillian & Schumacher, 2014:347).

3.6 DATA COLLECTION

Primary data was gathered through the use of semi-structured interviews conducted on the schools' premises with the principals, SGB chairpersons and the schools' financial managers while secondary data was obtained from documents, such as financial policies and the agendas of finance committee meetings of the participating schools. The data collected was used to determine financial management decision-making processes of the participating schools.

3.6.1 Semi-Structured Interviews

Semi-structured interviews entail the use of scheduled questions which permit the researcher to seek clarification (Doody & Noonan, 2013:30). The semi-structured interviews were structured in a way that meaningful information could be gathered to generate a good understanding of the financial management decision-making processes in the participating schools. They allowed for clarifying questions that may have been confusing for the participants who were given an opportunity express their views and experiences in detail. The interview sessions took approximately fifty minutes per participant; they were audio-recorded in order to retain *verbatim* versions of what transpired during the interview sessions and also to provide original material for reliability checks. Notes were made during the interviews in order to reformulate questions; to probe more deeply; and to record non-verbal communication.

3.6.1.1 Advantages of semi-structured interviews

Semi-structured interviews help the researcher discover new lines of inquiry which are closely related to the phenomenon under investigation (Nieuwenhuis, 2007:87). Audio-recordings of the interviews provide complete and accurate versions of the discussions during the interview sessions and they also provide evidence for reliability checks (McMillian & Schumacher, 2014:386). Note-making during the interview sessions helps in reformulating questions; recording non-verbal communications; and probing for additional information (McMillian & Schumacher, 2014:386).

Bailey (2009:17) believes that flexibility is a major advantage of semi-structured interviews; it allowed the researcher to clarify confusing aspects for the participants and also to probe for more appropriate responses.

Some events or occurrences cannot be directly observed; people need to be interviewed to find out more about those events and occurrences that cannot be directly observed (Patton, 2002:340). Financial management decision-making processes cannot be directly observed and, therefore, questions need to be asked to learn about, and understand, financial management decision-making processes used by SGBs. The researcher was

prompted to use face-to-face interviews to discover and understand financial management decision-making processes utilised in public schools.

3.6.1.2 *Disadvantages of semi-structured interviews*

Due to the interactive nature of semi-structured interviews, both interviewers and interviewees are able to directly react to whatever the other says or does and this can change the direction or focus of the questions and answers (Opdenakker, 2006:2). To guard against such occurrences taking place in the interviews related to this study, the researcher used an interview schedule (see Annexure C) to guide the interview session and she also listened attentively and concentrated fully during the interview sessions.

Another demerit of interviews is that the participants may be unwilling to provide answer to the interview questions or be frightened that they might not answer the questions correctly (Neuman, 2000:127). Greef (2005:299) agrees by suggesting that the shortcomings of interviews include that participants might be reluctant to provide some information and the researcher might as well ask questions that the participants do not want to answer. In this study, the interview questions were simplified in order to get the desired responses from the participants. Participants were also motivated to speak without restrictions during the interview sessions.

3.6.2 Document Analysis

According to Punch (2005:185), documents could be a rich source of data because documentary evidence is recorded and retained. Document analysis is a systematic process of reviewing or assessing documents in both on paper and electronic formats (Glenn, 2009:27). Yin (2009:103) is of the opinion that documents might include letters, memoranda and personal documents, such as diaries, agendas, announcements, minutes of meetings and other written reports of events as well as managerial brochures. The financial policies and agendas of finance committee meetings of the participating schools were analysed for this study. Analysing these documents, the focused was on uncovering the financial management decision-making processes used in the participating schools.

Using document analysis alongside semi-structured interviews enabled the researcher to corroborate and converge data which reduced potential bias that could occur if a single method of data collection is used. Denzin (1970:291), in Glenn (2009:27), believes that document analysis is frequently used together with other qualitative research methods to provide means of triangulating.

Documents enable a researcher to study the language and words of participants which can be accessed at a more convenient time (Creswell, 2003:186). As written evidence they are also less time-consuming as they do not need to be transcribed. After being given permission by the participating schools to make copies of documents, the researcher was able to study and analyse them at times that were convenient to herself.

Briggs and Coleman (2007:279) see documents as a lens through which to understand actions and to gain insights into the connection between the written and the unwritten, the past and the present, the spoken and the visual. The analysis of the participating schools' finance policies assisted the researcher to match the oral responses of the participants with written documents. This suggested that the SGBs were following the schools' finance policies and she was able to identify the financial management decision-making processes being utilised in the schools.

3.6.3 Researcher's Role

The main responsibility of the researcher is to ensure that relevant data is gathered to answer the research questions. Keeping this in mind, the researcher established a good and honest relationship with the participants. According to McMillian and Schumacher (2014:374), a qualitative researcher's role may change in the process of data collection, depending on the data collection strategy used. A change in the researcher's role could be from being a complete outsider to being an insider. After gaining access to the research sites this researcher's role was that of an outsider. She was not involved in the activities of the participants or in what happened in the natural setting. Her role was to visit the site on the appointed date, collect data and then leave.

3.7 DATA ANALYSIS

Data analysis comprises studying, categorizing, assessing, associating, creating and reviewing the raw and recorded data (Neuman, 2011:517). McMillian and Schumacher (2014:395) describe qualitative data analysis as a moderately organised process of coding, categorising and interpreting collected raw data to make available an understanding of a single phenomenon being studied. The data analysis of this study was done thematically using the process of systematically coding and categorising into themes and sub-themes that emerged from the data collected in order to provide explanations of financial management decision-making processes. The research questions and conceptual framework also guided the researcher in the systematic analysis of data in terms of sorting data according to themes.

3.7.1 Thematic Analysis

In a thematic analysis all the collected data is examined to recognise common events that keep recurring and the key themes are identified from all the opinions reflected in the data (Patton & Cochran, 2002:23). Patton and Cochran (2002:24) suggest that the main phases of a thematic analysis are: read and make notes on the transcripts; identify themes; develop a coding structure; and code the data. The way in which these stages were accomplished in this study are explained below.

3.7.1.1 *Read and make notes on the transcripts*

Reading and note-making were the first stage of this data analysis after the data collected from the semi-structured interviews had been typed into a word program. The transcripts were studied repeatedly in order to organise and make sense of the data (McMillian & Schumacher, 2014:399).

3.7.1.2 *Develop a coding structure*

Neuman (2011:512) identifies three purposes of a coding structure, namely: to help identify emerging themes at a glance; to assist the researcher in finding themes in potential open-coding; and to use the list to establish a universe of all the themes in the study. Similarities, differences, categories, themes, concepts and ideas in this study were

identified by labelling units of meaning within the data using different colours and numbers.

3.7.1.3 Code the data

Coding is described as a process of carefully reading all the data transcribed, word by word, and collating it to express reasonable units (Nieuwenhuis, 2016:116). The data collected was organised logically into workable units to facilitate coding. The data was closely analysed and broken down into categories, repeatedly reviewed and continually coded to provide meaning for the findings and conclusions reached in the study (Nieuwenhuis, 2007:101).

3.7.1.4 Identify the themes

At this stage, the common emerging words, phrases, patterns and themes were summarised to assisted understanding and interpretation (Nieuwenhuis, 2007:100). It was useful to identify a few general themes and sub-themes which aided interpretation.

3.8 ACCURACY/TRUSTWORTHINESS OF THE STUDY

In qualitative research validity denotes the extent to which the descriptions of phenomena agree with the truths of the world (McMillan & Schumacher, 2014:324). In qualitative research trustworthiness is similar to validity in quantitative research; it refers to the research being credible, believable and justifiable (Johnson & Christensen, 2008:275).

To ensure accuracy and truthfulness in this research's findings and conclusions, the following strategies were used:

- **Crystallization:** Multiple data collection techniques were employed to increase the credibility and trustworthiness of the findings (Nieuwenhuis, 2007:80).
- **Mechanical recording of data:** Audio-recording of the semi-structure interviews was done with permission from the participants to provide accurate and relatively complete records (McMillian & Schumacher, 2014:355).

- **Prolonged and persistent fieldwork:** In-depth interviews were conducted in the school setting to match the findings with the participants' reality (McMillian & Schumacher, 2014:355).
- **Member-checking:** All participants were provided with a transcript of their interviews to allow them to determine their accuracy and truthfulness (McMillian & Schumacher, 2014:355).

3.9 ETHICAL CONSIDERATIONS

Brink (2006:38) describes ethical considerations as observing the following: research competency which includes managing resources honestly; justly recognising those who provide guidance; communicating findings truthfully; and reflecting the significance of the research for society. Babbie (2007:62) contends that ethical practice should be understood as conforming to the code of conduct of a given profession or group. Research ethics is all about what is morally acceptable and not acceptable when collecting data either from participants or through archival data.

It is important and necessary for researchers to be fully aware of the ethical and legal principles when conducting a research in order to protect the rights and welfare of participants (McMillian & Schumacher, 2014:362). The rights of the participants in this study were protected and the researcher ensured ethical responsibility by keeping the following ethical issues in mind.

3.9.1 Permission to Conduct Research

The researcher applied to the Gauteng Department of Education for permission to conduct semi-structured interviews in the selected public primary schools in the Tshwane South District of Gauteng Province. Permission to conduct the research interviews was granted before the relevant schools were approached. The researcher then met with the participants to explain the purpose and aims of the study.

3.9.2 Anonymity and Confidentiality

According to McMillian and Schumacher (2014:363), confidentiality and anonymity involves the following: participants and settings should not be identifiable; there should be a

regular coding of names of people and places; and the final report should be reviewed by the participants. Kvale and Brinkmann (2009:72) add that confidentiality means that there should be no disclosure of participants' private data.

Maintaining anonymity and confidentiality means that no knowledge about individual participants should be identifiable by a third party. If this is assured the participants will confidently be part of the research and freely provide the necessary information. To ensure the confidentiality of participants in this study, the researcher gave them the guarantee that their identity or that of their schools, would not be made known to a third party at any point during the interviews or the research. She assured them that the real names of the schools and the participants would not be mentioned anywhere in the final report.

Individual face-to-face interview sessions were held separately in each school to ensure confidentiality. The interviews sessions were immediately coded after recording them and placed in safe storage on the researcher's personal computer system.

3.9.3 Voluntary Participation and Informed Consent

To obtain the informed consent of participants, it is necessary for the researcher to make them aware of the purpose and procedures of the research; the risks and benefits of the research; voluntary involvement in the research; participants' right to withdraw at any point from the research; and how confidentiality would be ensured (Bailey, 1996:11). Walliman (2009:346) emphasises that written consent and the right to withdraw are essential requirements of ethical considerations.

The researcher explained the aim and purpose of the study to each participant. They were informed that they were entitled to pull out from the study at any point; that the information they provided would be protected by the allocation of pseudo-names; and that their anonymity and confidentiality was guaranteed. The potential benefits of the research findings were also explained to the participants as well as that their shared experiences might increase awareness and lead to the development of better strategies regarding financial management decision-making processes in schools. All participants signed

consent forms to participate in the study before the commencement of data collection at their schools.

In order to fulfil other ethical and legal principles when conducting this research, the following were also observed:

- Ethical clearance was applied for from the Ethics Committee of the Faculty of Education of the University of Pretoria and the Ethics Committee guidelines were also followed;
- Intellectual property was protected by referencing every source cited in the research;
- It was ensured that there was no risk or harm to the participants by maintaining honesty, trustworthy and a respectful attitude at all times (McMillian & Schumacher, 2014).

3.10 LIMITATIONS

Due to confidentiality of financial information, some participants were uneasy about divulging information. The researcher explained the aims and purpose of the study thoroughly in order to gain their confidence. However, it is possible that participants did not divulge all the relevant information.

Accessing SGB members as participants for this study was also a limitation. The exercise tested the researcher's patience as she was forced to repeatedly find a means of securing their participation. Two chairpersons of governing bodies were not available to be interviewed.

Challenges with regard to retrieving needed documents from the schools were initially experienced (Yin, 2009:102). Some financial documents were referred to as private and confidential documents by the schools. Only after exhaustive explanation on the purpose and importance of document analysis for the study was permission obtain to use them.

A further limitation to this study is that the research is limited to Tshwane South in Gauteng Province. Qualitative studies do not generalise their findings and time constraints did not allow for a larger sample.

3.11 CONCLUSION

This chapter started with a discussion of the research approach and design used for this study as well as the reasons for choosing them. A qualitative research approach was utilised which would provide answers to the research questions. The choice of purposive sampling of the research sites was explained. Semi-structured interviews and document analysis was used as a means of data collection; this enabled the researcher to balance the spoken responses of the participants with written documentation which enhanced the credibility of the findings. The data analysis method was discussed as well as ethical considerations.

In the next chapter, Chapter 4, the collected data is presented and discussed. This is followed by a detailed presentation of the findings.

CHAPTER 4

RESEARCH FINDINGS AND ANALYSIS

4.1 INTRODUCTION

This chapter presents the findings from the data collected by means of interviews and document analysis. The data analysis was done by coding the converting data into themes and sub-themes. The themes that emanated from the data are: financial management decision-making processes utilised in public primary school; factors that influence financial management decision-making in public primary schools; who influences financial decisions in public primary school; and challenges related to financial management decision-making.

4.2 DEMOGRAPHIC DESCRIPTION OF PARTICIPANTS

The five schools that participated in this study are all Quintile 5 schools that are allocated additional functions according to Section 21 of the South African Schools Act. These schools are situated in affluent areas which enable them to attract learners whose parents can afford to pay school fees and support the school financially. The schools generate their incomes by means of school fees and various fund-raising activities managed by their SGBs.

Table 4.1: Biographical Information of the Selected Schools

SCHOOL	QUINTILE	SECTION	ANNUAL BUDGET	TOTAL ENROLLMENT	SCHOOL FEE PER LEARNER PER YEAR
A	5	Section 21	R3,603,600.00	619	R5,720.00
B	5	Section 21	R14,000,00.00	2,232	R5,225.00
C	5	Section 21	R20,000,000.00	1,099	R17,490.00
D	5	Section 21	R25,000,000.00	1,461	R18,000.00
E	5	Section 21	R8,924,250.00	1,251	R7,500.00

Data was collected from those who are involved in the financial management of the schools in order to obtain accurate and rich information regarding the decision-making processes in place when managing school finances. The participants in the study were principals, SGB chairpersons and school financial managers from each school. Although some of the principals of the participating schools are relatively inexperienced as principals, they all have substantial experience in education. The SGB chairpersons are well-educated and they are professionals in their own fields of expertise. The school financial managers all have financial qualifications; they also gained experience in the field of accounting before they entered the school environment. It was assumed that years of experience and the educational background of participants gives them a better understanding of the prescriptions of school financial management - as contained in the South African Schools Act - and that they are, therefore, in a good position to apply its prescriptions.

Table 4.2: Demographic Information of Participants

Participant	School	Participant code	Gender	Position occupied	Years of experience
1	A	SAP1	Male	Principal	23 years as principal
2	A	SAP2	Female	Financial Manager	23 years as school financial officer
3	B	SBP3	Male	Principal	6 months as principal 29 years in education
4	B	SBP4	Male	SGB Chairperson	2 years and 7 months as SGB chairperson
5	B	SBP5	Female	Financial Manager	10 years as school financial manager
6	C	SCP6	Female	Principal	6 months as principal 37 years in education
7	C	SCP7	Female	Financial Manager	3 years as school financial manager
8	C	SCP8	Male	SGB Chairperson	3 years as SGB chairperson
9	D	SDP9	Male	Principal	12 years as principal
10	D	SDP10	Male	SGB Chairperson	5 years and 7 months as SGB chairperson
11	D	SDP11	Male	Financial Manager	5 years as school financial manager
12	E	SEP12	Female	Principal	13 years as principal
13	E	SEP13	Female	Financial Manager	4 years as school financial manager

4.3 RESEARCH QUESTION AND THEMES

The data collected was analysed in terms of the themes contained in Table 4.3 below.

Table 4.3: Research Questions and Themes

Research Questions	Themes and sub-themes
1. <i>What financial decision-making processes are used in public primary schools?</i>	1. Financial management decision-making processes used in public primary school. 1.1 Need analyses 1.2 Drafting of budgets 1.3 Procurement processes.
2. <i>What factors influence financial management decision-making in public primary schools?</i>	2. Factors that influence financial management decision-making in public primary schools. 2.1 Financial decision-makers' understanding of the South African Schools Act and other legislation 2.2 Educational background/financial skills of financial decision-makers.
3. <i>What are the roles and influence of individual stakeholders with regard to financial management decision-making processes in public primary schools?</i>	3. Who influences financial decisions in public primary schools? 3.1 School governing bodies. 3.2 Principals 3.3 Parent bodies 3.4 Teachers.
4. <i>What problems are experienced in financial management decision-making processes in public primary schools?</i>	4. Problems with regard to financial management decision-making. 4.1 Unavailability of the parent component of SGB members. 4.2. Lack of financial skills. 4.3. Non-payment of school fees.

4.4 DISCUSSION OF FINDINGS

An analysis of the collected data revealed the themes and sub-themes as they relate to financial management decision-making processes and factors that influence it in primary schools. The main themes are: financial management decision-making processes used in fee-paying public primary schools; factors that influence financial management decision-making in public primary schools; which stakeholders influence financial

decisions in fee-paying public primary schools; and problems experienced during financial management decision-making processes. The main themes and the sub-themes are discussed below.

4.4.1 Theme 1: Financial Management Decision-Making Processes Used in the Participating Schools

The data indicated that the financial management decision-making processes used in schools include conducting a needs analysis; drafting a budget and establishing procurement policies.

4.4.1.1 Need analysis

The financial management decision-making processes of the participating schools start with a needs analysis. A needs analysis has been described as the process when individual staff members - both teaching and non-teaching - provide lists of what they need to carry out their duties effectively. As the all members of staff are affected, each of them must identify what they will need for the following year. One principal described a need analysis as:

The analysis of needs is the first point of departure and those needs are gathered from all members of the school community; that is, the teachers, administration staff maintenance staffs, the parents and everybody else - even other stakeholders, if there is need to consult (Participant SE12).

The lists of needs are submitted to the heads of department. The needs listed are evaluated by the heads of department, the principal and the financial manager who determine whether they are, indeed, valid and then they cost the needs. The importance of this process is highlighted by one participant who said:

You have your needs and your wants. All the department(s) comes to you with what they need or want (Participant SCP7).

An analysis of the data also revealed that after the needs have been scrutinised by the heads of department, the principal and the financial manager, the lists are presented to

the finance committee of the SGB to further evaluate and process the lists of needs presented by the school's staff members. The SGB chairperson of School D explained:

It starts from the school presenting their own needs and we would then sit with the selected request forms for funding for the year coming (Participant SDP10).

4.4.1.2 Drafting the budget

The data indicated that the second step in the financial management decision-making process is the drafting of the budget. After the needs of the school have been collated, the document is given to the finance committee. The finance committee, together with the school financial manager, prepare the budget which contains all anticipated expenditure and the expected income of the school for the coming year. This draft budget is presented to the SGB by the finance committee for approval. Once approved, the draft budget is tabled at an annual general meeting for final approval by the parents. The principals of Schools A, B, C, D and E, respectively, commented on the budget process as follows:

According to the needs of the school the SGB prepares a budget and then they present this budget at the annual general meeting to the parents where two things are discussed: the proposed school fees and the budget. Then, once the parents approve the school fees from the budget, the SGB as well as the financial committee which is the sub-committee of the SGB must establish a detailed finance policy on how and what procedures must be followed before money can leave the school funds (Participant SAP1).

We have to make sure that parents are given the proposed budget for about two weeks to view before the actual budget meeting so that they also can have a full understanding as to what the budget entails and what will be required of them in preparation for the following year's budget (Participant SBP3).

The beginning of the third term we begin to draw up our budget and always put into consideration the values and mission of the school (Participant SCP6).

General decision-making is guided by the budget once approved by the parents - what we want to spend goes there (Participant SDP9).

With the parents at the AGM we present the budget. Now the budget is based on those needs after which the SGB have gone thoroughly through it and approve it. Before then we call for ideas, any parents who feel there is something to be added are at liberty to do so. The notice goes out not less than 30 days so the parents have enough time to say can we also do this and that (Participant SEP12).

The collected data suggested that the schools have a good understanding of the prescriptions related to the drafting of a budget - as stated in Section 38 of the Schools Act. The principals play an important role in that they must approve the needs submitted by the departments before they are submitted to the finance committees. The finance committees work on those needs and make recommendations to the SGBs. Finance committees do not approve the needs, but only make recommendations; SGBs consider the needs and approve them. However, final approval and ratification of the draft budgets are approved at an annual general meeting by the majority of parents who are present at the meeting. Draft budgets are made available for perusal by the parents 14 days before annual general meetings and 30 days' notice of meeting is given prior the date of the meetings.

The data also revealed that the principals and the SGBs of the participating schools work collaboratively in terms of the financial management of their schools. This contradicts the findings of some researchers who maintain that there is a lack of collaboration between principals and the parent governors (Mestry & Govindasamy, 2013:439; Mestry, 2006:33). Mestry and Govindasamy (2013:432) suggest that principals and other SGB members have matching roles and that there ought to be a co-operative relationship between them at all times. The data accumulated in this study indicates that this is, indeed, the case. However, one participant was of the opinion that in the past the principal and the SGB were always at loggerheads as the SGB members wanted to dictate to the principal what

to do but that things were now changing. In this regard, the SGB chairperson of School D said:

It's always interesting and very acrimonious, even in our school before our time, there is always this clash because the SGB always think they are coming to over-see the principal, instead of seeing the principal and his management as equals. The SGB wants to come in and say we will tell you what to do on that basis it is very acrimonious (Participant SDP10).

It appears that at Quintile 5 schools SGB members are well educated professionals in their own right. The background knowledge of the SGB members seems to impact positively on their working relationships with the principals because the data suggests that they are more interested in, and committed to, their children's education.

4.4.1.3 Procurement policies

The final step in the financial management decision-making process lies in the procurement stage. Procurement policies are included in the finance policies of each of the participating schools. In School E the procurement policy states that the principal has the authority to approve expenditure of up to R5000.00 which is referred to as petty cash. For expenditure or procurement above R5000.00, three quotations are required and requested from different suppliers; the selection of the best option is done by the whole SGB. All expenses must be reflected in the approved budget. The principal of School A, the SGB chairperson of School D, the principal of School E and the finance manager of School C, respectively, described the procurement processes at their schools in the following ways:

Before you do a purchase, three quotations must be obtained and the best one, not necessary the cheapest one, can be chosen by the governing body. There are three signatories, chairman finance committee must be there and the SGB chairperson. Each of these signatories who approves the expense on the on-line banking system, have their own password and pin to the school bank account (Participant SAP1).

*We develop a process on how items will be purchased. From three quotations, we take the cheapest but not necessarily the inferior service. We have those policies and we have given delegated authority to the principal to sign the expenditure below a certain amount; in this case it is R5000. Anything above R5000 has to go to the finance committee of the SGB. That cannot be negotiated and we meet once a month to go through all expenditure items and then approve them by the finance committee which have to still to be ratified by the full sitting of SGB. Then the school can spend; they don't spend and come and ask (**Participant SDP10**).*

*The processes are you must find quotations; remember there are sub-committees who will work on those quotations. With the approval from the SGB will then say go ahead with the quotation. We can then purchase whatever we need to purchase. The petty cash allowance in our school is R5000. If what we need is below R5000 then we don't need to wait or call the SGB because that is the money allocated already in the budget every month to be utilised for the day-to-day running of the school (**Participant SEP12**).*

*Obviously, the financial policy has got the level of authority in it, so up to certain amounts the SGB authorises. A lower amount the principal and the finance manager can go ahead with the necessary needs that are tabled in the approved budget. For the bigger expenses, it goes to the financial committee. From there it goes to the SGB and there is also a level which will be put up for tender. All these are clearly explained in the school finance policy (**Participant SCP8**).*

Although the South African Schools Act is silent on procurement processes in public schools, the participating schools appear to have established good procurement policies. Procurement policies could be related to the prescription given in Sub-section 38(a) of the Public Finance Management Act which states that a suitable procurement structure

which is fair, reasonable, clear, good and cost-effective should be put in place by accounting officers.

4.4.2 Theme 2: Factors that Influences Financial Management Decision-Making in Schools

The data revealed that financial management decision-making is influenced by the following factors: an understanding of regulations, like the South African Schools Act; educational background; and financial skills and knowledge.

4.4.2.1 Understanding of the South African Schools Act by financial decision-makers

Apparently, the participants have a good understanding of the South African Schools Act and its requirements regarding school financial management. The participants demonstrated a good understanding of how their schools should manage their finances - as prescribed by the Schools Act which guides them when making financial decisions. Some of the participants' opinions are given below.

According to the principal of School A,

The SASA is 100% clear on the financial management of schools and if you follow it by the dot you will be in the clear with the auditor role, SGB role and department of education. And it states all the structures and explains exactly how to put what is required in place at the school if you follow it (Participant SAP1).

The finance manager of School A suggested that

SASA puts measures in place to regulate every aspect of finance; for example, the budget (Participant SAP2).

The principal of School B expressed the following opinion:

I should think when you make use of, or you follow, the SASA you may not have a difficulty of understanding processes of decision-making in terms of

finance. My opinion on the guidelines is that they are straightforward and understandable. They articulate very clearly the expectation on the side of the institution as a school and also give direction on how to deal with finances in terms of having your own school finance policy and also gives assistance on how to give guidance to other people involved in school financial management (Participant SBP3).

The finance manager of School B explained:

SASA for me it's a working act; it must just be in place all the time and each new stakeholder that comes on board must be made aware of it. (Participant SBP5).

The principal of School C said the following:

My opinion is that SASA is very clear on many matters relating to the management and decision-making with regards to finances at schools. There are very clear boundaries and it assists the school in using the schools' finances responsibly (Participant SCP6).

The Financial secretary of School C thought that

SASA has got good intentions behind it and they give good guidelines in general (Participant SCP8).

The principal of School E expressed the following opinion:

My opinion is that I want to believe that SASA is very clear and helpful when it comes to how finances must be managed and how decisions should be made. You know principals are not accountants; I don't have any economic or business background so now SASA is stipulated in a way that you are given enough guidelines in terms of how you arrive on a decision that has to do with school finance (Participant SE12).

The principal of School D had a different opinion regarding an understanding the Schools Act in terms of financial management:

As for me, there are some grey areas as to know exactly - specify who the financial officer is and who the accounting officer is. I understand I am the accounting officer of the school but who is the financial officer? Is that the treasurer? I think that is not stipulated clearly in the SASA guidelines to schools. Earlier years, I think it was believed by us that the accounting officer is actually the treasurer and the SGB and lately it says it is moving on to the principals, (Participant SDP9).

In *Schoonbee and Others vs MEC for Education, Mpumalanga and Another* (Case No. 33750/01) clarity is given on who is responsible for a school's financial management. In this case, the Member of the Executive Council for Education contended that the principal was the accounting officer and should be responsible for the school's financial management. The judge held that the SGB was collectively responsible for the professional management of a school. Because the principal serves as an *ex-officio* member of the school governing body, he/she forms part of this collective. Making the principal solely accountable for the school's financial management would, therefore, be irrational. Section 16A of the Schools Act was added to the act after the *Schoonbee Case* which has placed additional responsibilities on principals, specifically with regards to the reporting of financial mismanagement in schools.

Understanding the South African Schools Act is one of the factors that influence financial management decision-making and relates to 'state domination' described in Powell's model of decision-making. He explains 'state domination' as a type of influence that government has over an institution and that operates through governmental instruments to frame policies or legislature that individual lower level institutions carryout (Powell, 2008:388).

The data indicated that the participating schools have a good understanding of the Schools Act in so far as financial management is concerned and this, in turn, has a positive influence on financial management decision-making. This is in contrast to the findings of Mestry (2006:27) who believes that various members of SGBs as well as

principals have only a slight awareness of the Schools Act and that they misinterpret it, resulting in unprofessional conduct associated with the finances of schools. This contradiction in findings could be ascribed to the differences between the schools sampled in this study and those in his study. The schools sampled by Mestry are non-fee-paying schools located in poor areas while the participating schools in this study are affluent fee-paying schools and, therefore the context in which the schools selected for this study operate are different to those referred to in the study mentioned above.

It may be concluded that wealthy schools function more effectively and efficiently in terms of school financial management decision-making than poorer schools. The reason is possibly that wealthy schools have professional well educated SGB members and the money to employ professionals to manage the school funds and give advice to the SGBs on issues relating to school finances while poor schools, on the other hand, do not have access to professional services.

4.4.2.2 Educational background and financial skills of financial decision-makers

Educational background and the financial skills of decision-makers are identified factors that influence financial management decision-making in public primary schools. The following are the views of the principal of School A, the SGB chairperson of School B and the financial manager of School D, respectively:

When you go through the process of electing the SGB and the chairman of the finance committee, you must strive to obtain people who are qualified in financial direction or those that have a financial education background. Previous financial skills and educational backgrounds of financial decision-makers have influenced the kind of decisions made (Participant SAP1).

I think it's very important that you have previous financial skills and it's going to have a very positive impact on financial management decision-making. If you do not have some knowledge or background or good education, the temptation to misuse funds is always there because you will see people who

just spent the money because there is money in the bank account and obviously the money is there for some needs or requirements. If you do not have a SGB committee who is strong or knowledgeable in terms of finances, the chances are you may have a principal who overpowers the SGB committee and takes decisions that are out of line which will basically lead to fraud (Participant SBP4).

It's critical to have previous financial skills, but it's unfortunate that to be a SGB member the only criteria is just to be a parent at the school and that to me is lacking. It becomes difficult to deal with people who do not have financial knowledge and then decision-making processes take longer because you have to school somebody - why we need to buy this and why we shouldn't buy that – and, therefore, it is unfortunate at such situation (Participant SD10).

A lack of financial knowledge or skills may contribute to financial mismanagement and may also ruin the budget. In addition, the data supported the view that if SGB members do not have sufficient knowledge of the educational environment together with some financial skills, the principal may influence them inappropriately as the principal is better informed on educational matters than the SGB.

This conclusion agrees with Mncube (2009:93) who contends that SGB members regularly agree to decisions taken by principals because they are afraid of being suspected of disloyalty. They, therefore, pretend to participate in decision-making processes. It also relates to the findings of Bagarette (2012:104) and Botha (2012:269) who argue that principals may play a dominant role in SGBs' decision-making in schools. A sound financially skilled SGB with a good educational background will prevent the occurrence of the above issue.

4.4.3 Theme 3: Stakeholders Who Influence Financial Management Decision-Making in Schools

A sub-research question of this study is: *What are the roles and influence of individual stakeholders with regard to financial management decision-making in public primary schools?* Ten of the thirteen participants in the study suggested that the parent component of the SGB has a great influence when it comes to financial management decision-making. Two participants were of the opinion that the school's financial manager influences the financial decisions and one participant maintained that all the stakeholders had an influence on financial management decision-making.

4.4.3.1 School governing body

In line with the stipulations in Section 16A of the Schools Act, the data indicated that the SGBs of the participating schools strongly influence financial management decision-making processes in Quintile 5 public primary schools. This was suggested by the participants in the following ways:

According to the Principal of School A,

The final decision is subjected to the whole SGB because any decision made by the sub-committee is subjected to the approval of the whole SGB (Participant SAP1).

The principal of School B said:

When it comes to making decisions, the SGB is the body that has power; then the financial committee and it will come down to the principal. However, I should think the school governing body will be the overall decision makers when it comes to financial matter (Participant SBP3).

The finance manager of School B maintained:

The SGB members are the custodian of the school; they look after the school so they are the final decision-makers. The recommendations and proposal

comes from the finance committee, but it is the SGB that takes the decisions (Participant SBP5).

The finance manager of School C was of the opinion that

A lot of the decisions are made by the SGB and they have the final say (Participant SCP7).

The principal of school D believed that

The final say of how the money will be spent come from the SGB. The SGB has the ultimate say of how the money would be spent (Participant SDP9).

The SGB chairperson of School D suggested the following:

The SGB is the decision makers of the finance concern of the school - that is our understanding. It is critically that the SGB influences finance decision-making because it sits between the parents and the management (Participant SDP10).

The finance manager of School D expounded by saying:

The SGB is the highest authority in the decision-making process. The SGB chairperson is one who got influences in financial decision-making. Let me say the treasurer and the SGB chairperson because they are two different people. They also have some influence on major decisions because they are the ones who must go and sell the plans to the parents. The SGB members have a higher influence; they can actually say we hear you but we don't agree (Participant SD11).

The principal of School E firmly believed that

The members of the SGB influence financial decision-making because they are the custodian of the finances of the school (Participant SEP12).

The finance manager of School E added:

The SGB members influence the financial decision-making of the public school because they are the parents who are bringing money to the school (Participant SEP13).

Two participants stated that financial managers have greater influence because they have more knowledge and technical know-how. The financial manager of Schools D and E put it in the following way:

If I want to make a financial decision and say yes - we budget to buy 6 computers but if the school fees is unpaid and you are not doing cash flow management, you can't buy those because your cash flow is not meeting that. You have to manage on that level. So, at the end of the day I would say the financial manager plays a very important role in finance decisions (Participant SCP7).

Most of the time it's the school accounting officer who sees most of the things the school is facing; they are the key people when it comes to the school finances as the parents are not here on a day-to-day basis - they don't see the real challenges of the school. As a result, in some situations we found out that delay was caused by the whole concept of having an SGB which is mainly parents (Participant SEP13).

School financial managers are employed by SGBs to provide schools with sound financial management expertise and to support the SGBs. Their financial roles include giving advice to the finance committees on all financial matters; ensuring that the schools' funds are managed according to the instructions of the SGBs; and making sure that the schools' financial records are well maintained. These roles that are provided by the school finance managers support the SGBs in financial management decision-making. Quintile 5 schools who can afford to employ financial managers openly enjoy the benefits which have positive impact on the schools' financial management decision-making processes. The poorer public schools whose SGBs are not able to employ financial managers are not open to such benefits and, therefore, there may be a greater risk of employing poor financial decision-making processes.

4.4.4 Theme 4: Challenges Related to Financial Management Decision-Making in Schools

The unavailability of the parent component of SGBs; a lack of financial skills in principals; and non-payment of school fees are problems experienced in financial management decision-making.

4.4.4.1 Unavailability of the parent component of SGBs

A significant problem experienced is that the parent components of SGBs are not always readily available when important decisions need to be made; a reason being that they are professionals in their own right and they are more involved in their own business activities. This concern was expressed by participants as follows:

The principal of School C explained:

The school is very reliant on SGB members who are not always as available as necessary for the smooth running of the finances of the school. Getting decision-making from SGB members timeously can become difficult and not in the school's best interests. So, the SASA tends to give a lot of power to the SGB members who are not as available as you need for the best interest of the school, but what is good is that they bring in their expertise. So, those will work together in one way but sometimes the principal on the school side will wish that we didn't need to rely so heavily on the SGB members; we cannot make financial decisions at all without the SGB members. If there would be anything I would change in SASA maybe it would be not to give too much control and power to the SGB members - not because we want control and power, but just for us to get on with the job and not be held to ransom because of their unavailability. They don't have time to sit down in meetings. The school needs more power to make its own financial decision instead of waiting for parents who actually don't know the running or needs of the school (Participant SCP6).

According to the financial secretary of School C,

The availability of the SGB members is often the problem. The bigger problem is that the SGB members are not paid and they are all full-time employees in most instances. Especially when you get professionals in your SGB members, their availability becomes the problem in decision-making processes. Well, like I said to you, our biggest challenge is the unavailability of the SGB because we all know they've got to be involved, but sometimes they are not available. I think that is the biggest problem on financial management decision-making here (Participant SCP8).

The principal of School D added:

I must say I've been here for many years and there have been different SGBs. There was a time when the treasurer was never here and that was bad and sad for us because you need to communicate with them, you need them in-between meetings to say what's happening, but then there wasn't communication (Participant SDP9).

The financial manager of School C expressed the following:

I would say waiting before the decision is being finalised due to the unavailability of the SGB members. They are not always available. The issue is you have your meetings with the SGB/finance committee but they don't come and decisions need to be made but you cannot go forward - you have to wait for the decision to be made which is very frustrating (Participant SCP7).

The financial manager of school E suggested:

Remember these parents are working, they are not really available (Participant SEP12).

This all indicates that because some SGB members are skilled in financial management and as they are well qualified in areas, such as law and engineering, their availability may be restricted and they are often not accessible when they are needed by their schools.

This causes delays in the decision-making process and is a source of frustration for school management members.

4.4.4.2 *Lack of financial skills in principals*

Principals' and SGBs' lack of financial skills is also one of the problems identified in financial management decision-making in public schools. The financial decision-makers in schools clamour for current knowledge of accounting software in order to manage the large amounts of money they handle as fee-paying schools. The participants described the problem as follows:

The principal of School C believed that

The inability to read and understand financial statements is a problem. The limited ability to understand budgets and the implications of the budgets. The limited ability to understand the Pastel programme that is one of my challenges right now. I have never worked on Pastel in my life (Participant SCP6).

The principal of School D expressed the problem in the following way:

Well, I think problems can be when you have a strong SGB who might not know or not wanting to know whatever and who influences the principal. Now the principal is loyal to the SGB and also works for the department. He is having two bosses in a way and when the principal can't stand up and say to the SGB: "Sorry you know we cannot do this, it's not according to policy or Act" - so that can be a problem and also if you've got not knowing principal or SGB, they are just doing things blindly, they do not have skills or knowledge and then obviously, no knowledge or background skills to draw up the school finance policy properly (Participant SDP9).

The finance manager of School E said:

I believe if all the school managers involved in school finance decision-making are empowered in financial management areas, most of the problems will be solved because if they are empowered they would be able to understand

processes like audit, processes like adherence to accounting guidelines and processes like internal control (Participant SEP13).

This lack of knowledge of current accounting software on the part of the principals corresponds with Mestry's (2004:126) contention that a challenge of financial management in schools is that many principals and SGB members do not have adequate financial competence and expertise. Xaba and Ngubane (2010:140) also attest to this point by arguing that poor management of finances at schools is due to financial illiteracy and lack of training.

4.4.4.3 Non-payment of school fees

Another problem related to financial management decision-making in public schools is the non-payment of school fees. It is evident that there are parents with genuine reasons for not paying school fees but there are some who just do not want to pay. This problem prevents schools from realising some of their financial decisions. Some participants expressed their experiences in the following manner:

The SGB chairperson of School B was of the opinion that

The biggest challenge is that we have parents who cannot afford to pay the school fees and at the same time the school is expected to bear the cost. If the parents can't pay, it means the school has to carry them anyway (Participant SBP4).

The SGB chairperson of School D maintained:

The problem has always and will always be: there is never enough money to do all the things we want to do. For example, in our school our budget is between R22, 000,000 and R25, 000,000, but the government contribution is R800, 000, so our dependence is on parents. Now parents, if they don't pay, we can't spend - so the most difficult thing for us, I must say, is not arriving at decisions because there is no enough money (Participant SD10).

The Principal of school E had the following to say:

In my school, the challenge is payment of the school fees. Parents are not paying school fees. The challenge now is finding the right system to put in place to make sure that parents pay. So, the challenge is when the parents are not paying school fees, it affects the services that need to be paid off, such as the payment of salaries to teachers that are hired by the SGB, water and electricity. The non-payment of the school fees affects the quality of teaching in school. Remember, if a teacher works and doesn't get paid it is demoralising. If salaries are not paid you have staff with low morale, long faces, unhappy colleagues and it's just too bad (Participant SEP12).

The non-payment of school fees hinders schools in carrying out financial decisions. This corresponds with the findings of Motsamai, Jacobs and De Wet (2011:112) who state that when school fees are not promptly paid, it becomes problematic for schools to function.

4.5 FINDINGS FROM THE DOCUMENT ANALYSIS

The financial policies and agendas of meetings of the finance committees of the participating schools were analysed. The analysis focused on the role of the finance committee; the process of drafting a budget; procurement policies; and issues of a general nature relevant to the study.

4.5.1 School A

4.5.1.1 Finance committee

Although the financial policy of School A does not stipulate the composition and duties of the finance committee, the financial responsibilities of its SGB are stipulated as:

- Opening and maintaining a bank account;
- Collecting school fees to add to funds provided by the state to run the school;
- Keeping a record of all the money received and spent by the school;
- Managing the school funds according to the requirements of the Head of Education and in consultation with all the members of the school community;
- Preparing a monthly financial statement; and

- Ensuring that the school financial statement is audited by a qualified registered auditor.

The annual audited financial statement must be sent to the Head of Education by the end of June; copies must be made available to the parents at the annual general meeting; and the minutes of meetings as well as a register and the resolutions of meetings must be kept safe.

4.5.1.2 *Management of the budget*

According to the financial policy the governing body is in charge of drafting the annual budget which should be presented at the annual general meeting for approval by the parents. The SGB is also responsible for budgetary control. The objectives of budget preparation and principles that should be applied in the preparation of the budget are listed in the financial policy. The objectives of budget preparation in this school are stated as follows:

- An annual budget should show a comprehensive financial plan of activities that are scheduled to take place during the school year.
- The budget should be based on the anticipated needs of the school.
- The budget should be used as a control measure to check whether or not the school is meeting its goals and objectives as stated in the budget.
- The annual budget should be used as a tool to compare income and expenditure.

The principles to be applied when preparing of the budget of school A are:

- The budget should be achievable.
- Sources of income available must be considered as well as all expenses, capital and maintenance.
- Cost-centres should prepare and present properly motivated budget lists to the governing body.
- The needs of each department should be prepared in a separate budget form.

- The budget must take into consideration the short, medium and long-term goals of the school as well as changes in legislation, prices changes and changes in interest rates.
- The budget should make provision for building up a reserve fund for major school improvements.

4.5.1.3 *Procurement policy*

A list of possible suppliers is compiled and the necessary enquiries are made to ascertain whether these suppliers have the ability to deliver the goods or services needed. In the case of non-routine expenditure, tenders or quotations should be called for and approved by the SGB or an appropriate sub-committee constituted for that purpose. After authorisation has been given, the necessary advice of payment form must be completed by the finance officer and the necessary action should be taken. It is stipulated that the following authorisation must be adhered to regarding payment:

- No payment may be made for items not included in the budget, except when prior approval of the SGB has been obtained.
- Three signatories are required for the school bank account.
- No payment will be honoured if not supported by the principal's authorisation and backed up with all the necessary documentation.
- Requests for payment must be done on a normal completed request for payment form.
- Two of the three signatories should thoroughly check invoice details before approving requisitions.

4.5.1.4 *Matters arising in finance committee meetings*

No agenda or minutes of finance committee meetings could be obtained. However, in the notices of SGB meetings the financial committee report was included as a standing point on the agenda.

4.5.2 School B

4.5.2.1 *Finance committee*

School B's finance policy requires that the SGB must establish a finance committee and that the treasurer of the governing body will chair this committee. The finance committee meets once a month and the notice of meeting is sent out to members 15 days before the meeting. The members of the finance committee, which is a sub-committee of the governing body, are: the treasurer, the chairperson of the SGB, the principal, the financial officer of the school, a parent representative from the SGB and co-opted expertise if the school does not have a qualified accountant. The finance committee submits monthly reports to the SGB on transactions that have occurred and which must be in line with the approved budget. If there is any sign of mismanagement of funds or the misappropriation of funds, the finance committee is entitled to carry out an audit of the school's financial records which the SGB must authorise.

4.5.2.2 *Management of the budget*

It is stated that the school budget is to be drawn up by the school's finance committee. The number of learners enrolled at the school determines the provision of its budget. All the needs of the school must be submitted to the secretary of the finance committee. The closing date for the needs lists from the various department heads is the end of September of each year.

4.5.2.3 *Procurement policy*

Three quotations for services and goods should be obtained. The finance committee will make recommendations and the SGB will authorise the expenditure. When payments need to be made, all signatories must be notified. The signatories are the chairperson of the SGB, the treasurer and the principal. This is in accordance with the instructions of the provincial Head of Department.

4.5.2.4 *Matters arising in finance committee meetings*

The agenda of the finance committee, held on 07 November 2016, indicates that planning and processes for the 2017 budget were to be discussed as well as reports on Pastel, an

accounting package. The agenda of this meeting also contained routine matters relating to school finances that needed to be discussed and decided on by members. This agenda enabled members to prepare in advance and for them to make valuable contributions thereby promoting effective financial decision-making processes.

4.5.3 School C

4.5.3.1 *Finance committee*

The school governing body forms a finance committee comprising the treasurer as chairperson, the principal, deputy principal, chairman of the SGB, finance manager and the secretary. The finance policy stipulates that the finance committee is expected to carry out the following functions:

- Assist the treasurer in exercising his/her duties;
- Monitor and approve all expenses as stated in the approved budget;
- Advise the SGB on school finance matters;
- Make sure that all procurement is made through right quotation and tendering processes; and
- Assist and oversee the drawing up of the annual budget.

4.5.3.2 *Management of the Budget*

The school's finance policy mandates that the SGB is ultimately responsible for the management of the budget. The annual budget should be prepared by the financial manager with the participation of relevant staff members and the help and guidance of the finance committee. The following guiding principles should be applied during the budgeting process:

- There should be a clear connection between the mission statement and the budget of the school.
- The needs analysis process should start with teachers/staff members in Term 2 in preparation for the budgeting process of the following year.
- The proposed budget must be presented to the School Management Team before it is presented to the School Governing Body for approval.

- The budget should be realistic.
- All available means of income must be considered.
- All possible expenditures, capital, maintenance and revenue should be considered.
- All cost-centres should prepare and present properly motivated lists to the SGB.
- The budget should accommodate changes in legislation, prices increase and changes in interest rate.
- All relevant stakeholders, especially parents, should be allowed to discuss and suggest changes at the budget meeting.
- The budget should make provision for reserves for major school improvements.

4.5.3.3 Procurement policy

It is stipulated in the finance policy that the procurement of assets should always be guided by an asset plan, the budget and the school's strategic development plan. Three quotations must be submitted to the finance committee for approval and an asset requisition form must be completed. The order is then placed and the asset procured. The following payment authorisation-process must be followed:

- No payment may be made for items not included in the approved budget, unless approved by the SGB.
- All payment must fall within the limits of the budget.
- Source documents must accompany requisition forms and must be signed as evidence that the goods or services have been received and paid for.
- Supporting documents must be thoroughly checked by the signatories before approving requisition forms.
- The finance committee approves all tenders or quotations.
- The financial manager must ensure that all monthly recurring operating expenses are paid timeously to avoid any interest or fine due to late payment.

4.5.3.4 *Matters arising in finance committee meetings*

The agenda for the July 2016 finance committee meeting indicates that the following matters were to be discussed at the meeting: the monthly financial report, the budget for 2017, fundraising, the tuck shop, quotations to be approved, utility costs and saving initiatives. The agenda is related to financial decision-making as it demonstrates the decision-making processes followed by the school.

4.5.4 *School D*

4.5.4.1 *Finance committee*

The finance policy of School D stipulates that the SGB should elect a finance committee. The composition of the finance committee is the treasurer, the principal, parents (not necessarily from the SGB) and non-teaching staff members. Meetings of the finance committee are to be held at least once every month. The school policy prescribes that the finance committee should do the following:

- Only make recommendations to the SGB which is absolutely responsible for all decisions.
- Develop a school finance policy and present the policy to the main SGB for discussion and approval.
- Oversee income and expenses.
- Advise the SGB and the school management team when preparing a budget.
- Ensure that there is no unauthorised spending or unauthorised overspending on the budget.
- Ensure that all procurement is made by means of correct quotation and tendering processes.
- Assist in drawing up a school annual financial surplus.

4.5.4.2 *Management of the budget*

It is accepted that each department is responsible for drawing up its budget which is to be submitted to the principal. The principal and the school management team will

examine and adjust the budgets before they are collated and submitted to the financial manager. The financial manager and the principal will forward information to the finance committee; it will adjust and forward the draft budget to the school governing body. The SGB will present the budget to the parents for approval at an annual general meeting. The proposed budget must be available for inspection 14 days before the budget meeting and 30 days' notice need to be given.

4.5.4.3 Procurement policy

The finance policy requires three quotations to be obtained for purchases in excess of R5000.00. The finance committee/SGB may accept or reject quotations or it may request additional quotations or information. The principal, in consultation with the financial manager, may approve purchase requests of under R5000.00. The financial policy stipulates that the following should be adhered to regarding procurement processes:

- Any items to be purchased must be requested on the relevant requisition form.
- All items requested for purchase must be listed in the approved budget.
- Any items not budgeted for must be approved by the main SGB before procurement is made.
- Three quotations are required for purchases above the range of R3,000.00 to R5,000.00.
- The finance committee/SGB may approve or reject the request or it may request further quotations or information.
- The finance manager must make known the availability of money in the budget.
- Payment will be made when the goods have been received, checked and signed for.
- The financial manager must ensure that all calculations on invoices are correct and properly authorised before payment is made.

4.5.4.4 *Matters arising in finance committee meetings*

The agenda of finance committee meeting held on 24 April 2017 shows that the following matters were to be raised: reports on cash flow, income and expenditure report and the tuck shop report. This is an indication that financial issues are raised and decided on by the relevant parties involved.

4.5.5 *School E*

4.5.5.1 *Finance committee*

The school's finance policy requires that the SGB appoints and approves members of the finance committee annually. The finance committee consists of a treasurer (a member of the SGB), the principal and parents who must have a majority. The following mandate is given to the finance committee: to compile a budget for the following year; to give advice and make suggestions to the SGB regarding the school budget; to meet at least once every two months; to maintain a proper record of all school assets; to ensure proper control over income and expenses; and to manage the budget according to standard accounting procedures.

4.5.5.2 *Budget*

The finance policy prescribes that the finance committee should compile a draft budget in conjunction with all SGB committees. This concept budget is then to be presented to the SGB for discussion and approval. In the last quarter of the year the budget is to be presented to the parents for approval at an annual general meeting. All the parents of the school must receive notice of the meeting at least 30 days in advance and decisions are to be taken by a majority vote of the parents who are present.

4.5.5.3 *Procurement policy*

The finance policy states that anyone who wants to make a purchase must first approach the principal for approval and ask the finance manager whether sufficient funds are available for such a purchase. An order form needs to be completed which will be presented to the principal for approval. If approval is granted, the financial manager will issue a cheque with which the purchase could be made. No purchase requisitions outside

the approved budget will be authorised by the principal except if prior approval is given by the SGB.

4.5.5.4 *Matters arising in finance committee meetings*

The agenda of the finance committee meeting held on 08 September 2016 indicates that the following matters were to be discussed: 2016 financial statements, the 2017 budget, tuck shop contracts and fundraising activities. The agenda of the meeting confirms that the school's financial issues are collaboratively deliberated upon in order for appropriate decisions to be made.

4.6 CONVERGENCE OF FINDINGS

In order to obtain a complete picture of the financial management decision-making processes in the participating schools, data collected from interviews and the document analysis are compared and triangulated. This is reflected in Table 4.4 below.

Table 4.4: Triangulation of Findings

Financial management decision-making processes	Interview data	Documentary evidence
Needs analysis	Each department compiles lists of what they would need for the following year and the lists of needs are submitted to the SGBs for analysis and approval.	The schools' finance policies state that all the needs of the school must be submitted to the secretary of the finance committee, a sub-committee of the SGB.
Budget	<ul style="list-style-type: none"> • According to the needs of the school the SGB prepares a budget and then presents this budget at an annual general meeting to the parents. • Parents are given two weeks to view and scrutinise the proposed budget before the actual budget meeting. • The budget is finally approved by the majority of the parents present at the budget meeting. 	<ul style="list-style-type: none"> • The proposed budget must be available for scrutiny 14 days prior to the budget meeting. In the last quarter of the year the budget is presented to the parents for approval at an annual general meeting. All the parents of the school receive notice of the meeting at least 30 days in advance and decisions are taken by majority vote.
Procurement policy	<ul style="list-style-type: none"> • Before making a purchase of above the range of R3000.00 to R5000.00 three quotations must be obtained and the best one - not necessarily the cheapest one - may be chosen by the SGB. • Above the range of R3000.00 to R5000.00 the school governing 	<ul style="list-style-type: none"> • The finance policy shows that three quotations must be obtained for purchases in excess of R5000.00 in four of the participating schools and one school stipulates that three quotations are required for any

	<p>body authorises. A lower amount allows the principal and the finance manager to go ahead with procuring the necessary needs that are tabled in the approved budget.</p>	<p>purchase above R3000.00.</p> <ul style="list-style-type: none"> • The principal, in consultation with the financial manager, may approve purchase requests under the range of R3000.00 to R5000.00.
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The data collected from documents is seen to buttress the data gathered from the interviews which suggests that financial management decision-making processes are the following:

- Firstly, a needs analysis is conducted by individual departments and then submitted to the principal and the finance manager for further analysis.
- The second stage of the process is the drafting of the budget. This is when the compiled needs are submitted to the finance committee, a sub-committee of the SGB, to prepare a budget as required by Section 38 of the Schools Act.
- Before the final approval of the budget, the budget is presented to parents at an annual general meeting for approved by the majority of the parents present at the meeting.

The first three processes suggest that the participating schools have a sound understanding of the prescriptions of the Schools Act which is contrary to the finding of Mestry (2004:103) that SGB members and school managers have little knowledge of the contents of the act. This contradiction can be explained by the fact that the schools that participated in this study are Quintile 5 schools and that their SGB members are professionals and well educated in their own individual fields of expertise. Their educational backgrounds and skills equip them to have a better understanding of the Schools Act and financial management decision-making processes.

- The last stage in financial decision-making processes is the procurement process. Three quotations are required for any purchases above the range of R3000.00 to

R5000.00 and the finance committee will make recommendations to the SGB that will make the final decision. Generally, the financial policies of the schools allow the principal and the school financial manager to authorise expenditure below R5000, 00. The Schools Act is silent on procurement procedures in public schools, but the data indicates that the participating schools have developed sound procurement policies and procedures. All the schools that participated in this study follow a similar procurement policy.

4.7 CONCLUSION

This chapter has highlighted, revealed and discussed the financial management decision-making processes in Quintile 5 fee-paying public primary schools. Factors that influence financial management decision-making were identified as well as the people involved in financial management decision-making in these schools. The financial management decision-making processes are: a needs analysis is conducted followed by the drafting of the school budget. Once the budget is approved, procurement processes are implemented.

The findings suggest that the participating schools have a clear understanding of the South African Schools Act and that sound financial skills contribute to good financial management decision-making. In addition, it is evident that the SGBs of the participating schools play a key role in financial management decision-making processes of their schools. Chapter 5 provides a summary of the findings of this study; reaches conclusions; and makes recommendations.

CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

Financial management is considered to be a school management function which contributes to the achievement of quality education. It is therefore, important and necessary to study financial management decision-making processes in a decentralized school system. Hence, the purpose of this study was to explore financial management decision-making processes in fee-paying public primary schools and also to identify factors that influence financial management decision-making in schools. In this final chapter of the research report, a summary of findings is provided; conclusions are drawn; and recommendations are made. Areas for further research are also identified.

5.2 SUMMARY OF FINDINGS

The findings show that a need analysis, drafting a budget and procurement are the main decision-making processes in the participating schools; they represent the different stages of decision-making, taken at different times, by relevant stakeholders at different levels. Financial decision-making in the participating schools is, therefore, a collaborative process - illustrated in Figure 5.1 below.

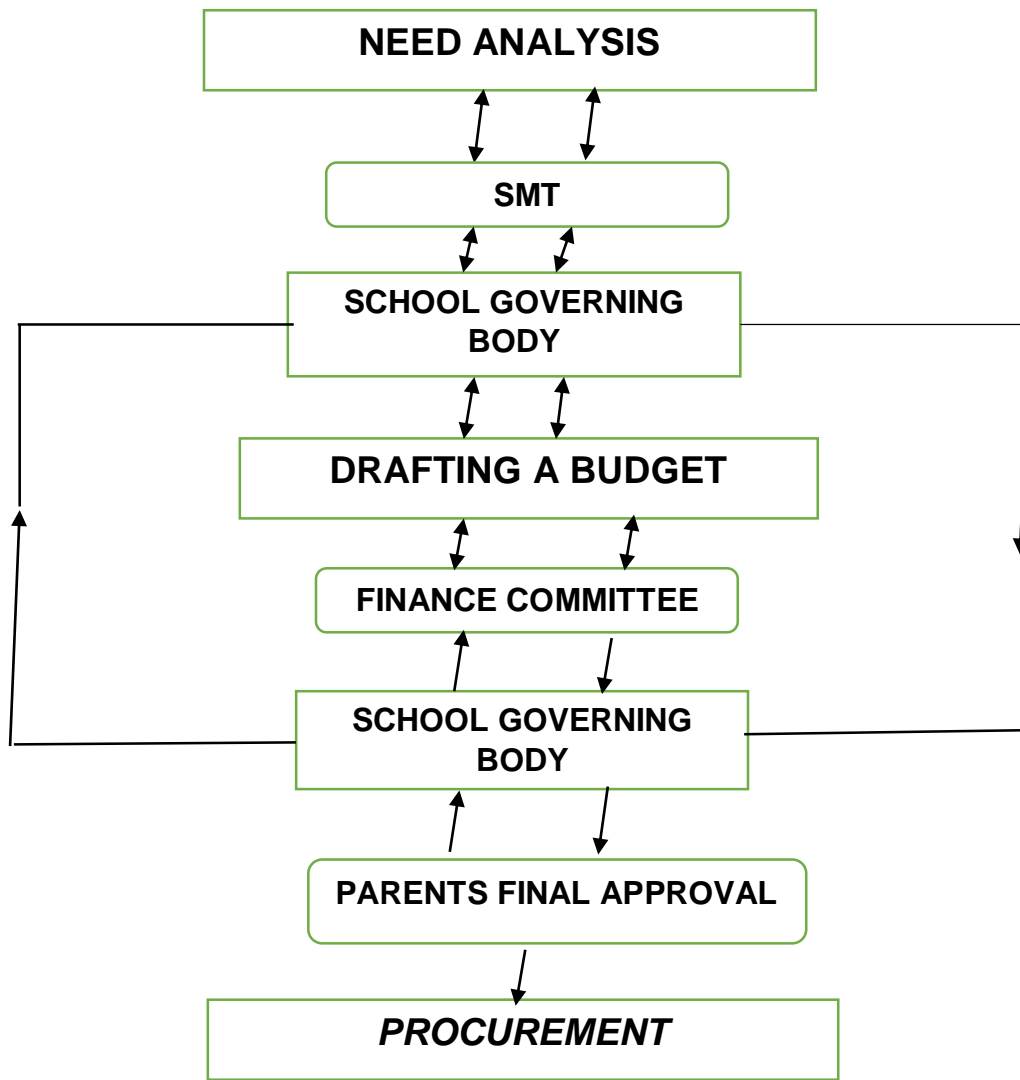


Figure 5.1: Financial Management Decision-Making Processes Used in Public Primary Schools as Revealed in the Study

5.2.1 Financial Management Decision-Making Processes

It is significant that similar financial management decision-making processes are followed by the five participating schools. Conducting a need analysis is the starting point in the financial management decision-making process at the participating public primary schools. It involves the school management team identifying the educational needs of the school so as to offer quality teaching and learning in the forthcoming year. A needs

analysis involves all the relevant stakeholders in the school community. The identified needs are submitted to the finance committee of the SGB for budgeting purposes; they are used to inform the drafting of the budget whilst keeping in mind the vision, mission and values of the school. The teachers, the school management team, the SGB and the parent community at large are all involved in the budgeting process. Final approval of the draft budget is given by the majority of parents present at an annual general meeting. This process signifies that the SGBs comply with the prescriptions of the Schools Act and that participants have a good understanding of the legislative and regulatory framework that guides financial decision-making in schools.

Procurement is the final stage of the financial management decision-making process. The SGBs of the participating schools authorise their principals to proceed with any procurement within the range of R3000.00 to R5000.00 - if stated in the approved budget. For procurement outside this range, three quotations are required and the selection of the most appropriate quote is done by the finance committee with approval from the SGB.

The findings of the study indicate that the procurement procedures of all the schools are in accordance with legislative frameworks pertaining to the procurement of goods and services. The procurement policies in the participating schools could also be related to the prescription in Sub-section 38(a) of the Public Finance Management Act which states that a suitable procurement structure which is fair, reasonable, clear, good and worthwhile should be put in place by the accounting officers.

5.2.2 Factors that Influence Financial Management Decision-Making Processes in Public Primary Schools

The participants have a good understanding of the requirements of the South African Schools Act with regard to school financial management. The participants showed an understanding of how schools should manage their finances and use the prescriptions of the South African Schools Act to guide them when making financial decisions. The principals ensure that the requirements of the Schools Act and other Educational Policies are adhered to in their schools. This supports the views of Botha (2012:266) and Mestry (2013:163) that it is important for SGBs to understand the legislation for them to be effective and efficient in the performance of their financial management roles. Hence, this

study confirms that a good understanding and appreciation of the South African Schools Act by financial decision-makers is beneficial to financial management decision-making processes in schools.

According to the findings, participants have a good understanding of legislative and regulatory frameworks that guide financial decision-making in schools. The SGB members who are tasked with financial management are well educated professional people, a fact which enhances their understanding of the Schools Act. A sound knowledge of relevant legislation and an adequate level of education and financial management skills contribute to sound school financial management and decision-making processes. This corresponds with Mestry's (2013:163) argument that it is important for the SGBs to understand the relevant legislation for them to be effective and efficient in the performance of their financial management roles.

5.2.3 Role Players in Financial Decision-Making in Schools

The SGBs of the participating schools have a strong control over their financial management processes and they exert a major influence during the decision-making process which indicates that the prescriptions of the Schools Act are adhered to. In addition, it has been shown that fee-paying Quintile 5 schools attract educated and professional parents to serve on their SGBs; this enhances their involvement, commitment and participation in carrying out their duties. The finding contradicts those of Mncube (2009), Bagarette (2012) and Botha (2012) who focused their research on schools in the lower quintiles.

The financial managers' roles are of particular importance and should not be over-looked because they are specifically appointed by the SGBs to assist them with their financial management functions - not provided for in the normal post provisioning of public schools. There is an indication that as the participating schools are all fee-paying schools, firstly, they take their financial management responsibilities seriously and, secondly, they have the financial means to employ people who have the appropriate qualifications and experience. Disadvantaged public schools whose SGBs are not able to employ financial

managers do not have such a benefit and, therefore, they are at greater risk of poor financial decision-making.

The principals in the participating schools play an important supporting role for their SGBs in terms of financial management decision-making. They provide the necessary advice regarding educational needs that must be prioritised by the governing bodies, thereby fulfilling a significant role in the financial management decision-making process. The principals in the participating schools signified that they support their SGBs in carrying out their fiduciary responsibilities and that no decision is reached without the full agreement of the SGBs. This finding is in line with the prescription of the Schools Act, Section 16A (2) (h), which state that the principal must support the governing body in school financial matters by supporting and giving advice on issues related to financial decisions. However, some of the principals identified delays in the financial decision-making process often due to the unavailability of the parent component of their SGBs.

School management teams are required to make recommendations but they need the approval of their respective SGBs before expenses can be budgeted for and procurements are actually made. This confirms that the power to make financial decisions is vested in the SGBs of the participating schools - in line with Section 21 and Sections 36-44 of the Schools Act where SGBs are given responsibilities to make decisions on how to manage school funds in an effective, proficient and responsible way. Mahlangu (2005:38) is of the opinion that the main purpose of having SGBs is to ensure that parents have a greater influence on their children's education. Rangongo (2011:30) affirms this view by stating that having parent members as a majority on SGBs indicates that the parent governors are expected to act in an effective and influential manner in the management of school finances.

From the findings of this study it is evident that all the relevant stakeholders in the participating schools are given an opportunity to become involved in financial management decision-making processes and, therefore, may influence decisions through their contributions and input. It implies that the aim of decentralising schools' financial management by transferring the financial management of public schools to SGBs has been achieved; stakeholder participation in decision-making in schools - one of the

fundamental expectations behind the introduction of the Schools Act (Khuzwayo, 2009) - is ensured in the participating schools.

5.2.4 Challenges in Financial Management Decision-Making

Three factors were identified in the findings that could negatively impact on financial management decision-making processes. Firstly, although the participating schools enjoy a variety of skill sets because of the composition of their SGBs, parent members are often not available when needed; they are professionals in their own right and are busy with their private lives. Often important decisions have to be delayed as the presence and involvement of members of SGBs is crucial and their absence negatively affects the management of the schools. This shows that although the participating Quintile 5 schools that are situated in the affluent areas may enjoy resourceful SGBs, the unavailability of members when important financial decisions are to be made may be regarded as a hindrance to speedy decision-making.

Secondly, school principals and SGBs demand regular, relevant and current training on how to manage school finances, especially in terms of current accounting software. They do not want to be kept uninformed by school financial managers. This is supported by researchers, such as Mestry (2004 & 2006); Mestry and Hlongwane (2009); Rangongo (2011); Beyers and Mohloana (2015), who maintain that many principals and SGBs lack the necessary skills to carry out their financial management responsibilities.

Thirdly, the non-payment of school fees by some parents creates problems in the participating schools. Delayed payment and non-payment of school fees negatively affect the budget and may prevent the schools from realising their objectives; this will also affect the quality of service delivery in the affected schools. The finding corresponds with the view of Motsamai, Jacobs and De Wet (2011:112) who argue that late or non-payment of school fees negatively affects school operations and the quality of services provided.

5.3 CONCLUSIONS

Previous studies related to school financial management have concentrated on lower quintile schools situated in townships and the rural areas. Some of these studies indicate that SGBs are not meeting their financial responsibilities as prescribed by the Schools

Act. This study moved away from lower quintile schools and focused on exploring financial management decision-making in fee-paying Quintile 5 schools situated in more affluence areas. Despite the fact that schools are governed and controlled by the same legislative structure, the Schools Act, the findings of this study highlight the fact that the challenges faced by affluent schools in urban areas are different to those faced by disadvantaged schools situated in township and rural areas. The study reveals that public schools have different experiences and challenges related to school financial management. Policies must, therefore, allow for variation in different contexts.

It can be concluded that a sound understanding of the legislative framework guides relevant stakeholders during financial decision-making processes; in this study it is reflected in the way financial decisions are taken in the participating schools. The study further revealed that financial decision-making is successfully achieved by conducting a need analysis, drafting a budget and procurement procedures - processes that require the collaboration of, and deliberation by, all the relevant stakeholders.

Fee-paying Quintile 5 schools situated in more affluent areas attract educated SGB members who are most influential in school financial decision-making processes. The study confirms that the educational background and financial knowledge of the relevant stakeholders influences financial decision-making processes.

5.4 RECOMMENDATIONS

The findings of this study identified the unavailability of parent member components of SGBs as a barrier to financial management decision-making processes in schools. It is clear that the parents of children in the participating schools are professionals and that they are kept busy with their personal responsibilities. Therefore, it may not be realistic for the schools to expect them to always be available when they are needed. It is recommended that the financial policies of schools should include procedures for when urgent financial decisions need to be taken. In addition, schools should plan a meeting schedule for a year in advance.

SGBs require continuous training that will help with the effective performance of their functions and empower them to shoulder additional functions as prescribed in Section

19b of the South African Schools Act. As recommended in previous studies, this researcher reiterates that the Department of Education should provide frequent and relevant training for SGB members. As principals also require a knowledge and understanding of current accounting software, it is recommended that the Department of Basic Education and Provincial Education Departments who are their employers should train them in the use of the latest accounting software and allow them to acquire specific accounting skills so that they are able to monitor what school financial managers do regarding school finances.

The non-payment of school fees by some parents is a challenge that prevents schools from achieving quality teaching and learning. It is recommended that schools should make provision for non-payment of school fees in the draft budget in order to proceed unhindered with the financial decisions.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

In terms of further research, the following are recommended:

- It can be seen in previous studies as well as this study that SGBs do not receive continuous and relevant training from the Department of Education to function effectively. A study should be done on how to provide relevant and frequent training related to school financial management for SGBs in Gauteng Province.
- To understand more about the influence that SGBs have on financial management decision-making processes in schools, a further study should explore the influence of SGBs on financial management decision-making in Quintile 5 fee-paying schools.

Further studies related to financial decision-making in schools should be conducted in other provinces of South Africa to obtain a more comprehensive understanding of the research topic.

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ANNEXURE A: PERMISSION LETTER FROM DEPARTMENT OF EDUCATION



GAUTENG PROVINCE

Department: Education
REPUBLIC OF SOUTH AFRICA

For administrative use:
Reference no: M2017/391

GDE RESEARCH APPROVAL LETTER

Date:	02 February 2017
Validity of Research Approval:	06 February 2017 – 29 September 2017
Name of Researcher:	Aina A.J.
Address of Researcher:	4 Bergkaree
	10 Midas Street , Olympus
	Pretoria East,0081
Telephone Number:	074 712 0082
Email address:	adebunmiana@yahoo.com
Research Topic:	Financial Management Decision –making Processes in Public Primary Schools in the Gauteng Province
Number and type of schools:	Six Primary Schools
District/s/HO	Gauteng North and Tshwane South

Re: Approval in Respect of Request to Conduct Research

This letter serves to indicate that approval is hereby granted to the above-mentioned researcher to proceed with research in respect of the study indicated above. The onus rests with the researcher to negotiate appropriate and relevant time schedules with the school/s and/or offices involved to conduct the research. A separate copy of this letter must be presented to both the School (both Principal and SGB) and the District/Head Office Senior Manager confirming that permission has been granted for the research to be conducted.

The following conditions apply to GDE research. The researcher may proceed with the above study subject to the conditions listed below being met. Approval may be withdrawn should any of the conditions listed below be flouted:

Handwritten signature and date: 02/02/2017
Making education a societal priority

Office of the Director: Education Research and Knowledge Management

7th Floor, 17 Simmonds Street, Johannesburg, 2001

Tel: (011) 355 0488

Email: Faith.Tshabalala@gauteng.gov.za

Website: www.education.gpg.gov.za

ANNEXURE B: APPLICATION LETTER TO CONDUCT RESEARCH/CONSENT FORM



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
Faculty of Education

Mr/Mrs _____

Dear Sir/Madam

INVITATION TO PARTICIPATE IN RESEARCH PROJECT

My name is Adebunmi Yetunde Aina, a Master's degree student at the University of Pretoria. The title of my proposed research study is: "**Financial Management Decision-making Processes in Public Primary Schools.**" The purpose of my study is to investigate how decision-making processes guide financial management in schools.

I would like to invite you and your school to become part of this research project. Kindly allow me to explain the scope and responsibility of your participation, should you decide to do so. I intend to gather the information I require for this research project in the following ways:

- a. Interviewing you as the principal of the school
- b. Interviewing the school governing body chairperson
- c. Interviewing the school treasurer
- d. Analysing the schools' financial policy\ budget
- e. Attending school finance committee meetings\ school governing body meetings dealing with the management of school finances to observe deliberation patterns and decision-making processes.

I have attached a copy of the semi-structured interview schedule and the non-participant observation schedule to be used during the interview and observation processes to this letter for your information.

The aim of this research project is not to pass judgement on your school's financial management system, but rather to acquire new and insightful information on financial management decision-making in schools; to determine factors that influence financial management decision-making in schools; and to illuminate the roles and influence of stakeholders regarding financial management decision-making in Gauteng schools.

I would like to emphasize that your participation and that of your school in this research project is entirely voluntary and that you are free to withdraw from the study at any time after you have decided to be part of it.

Please be assured that the information obtained from this study will be treated as confidential; the Gauteng Department of Education or any third party will not have access to the raw data obtained during the interview sessions. In addition, the name of your school and the names of the participants will not be mentioned or indeed be allowed to be identified by any manner or means whatsoever during the research process or in the final research report.

For you and the other participants to be comfortable about the information given, the data transcripts will be provided for you to confirm their accuracy and truthfulness before conclusions are drawn from the findings of the data. At the end of the project you will be given a copy of the research report which will reflect the findings and recommendations related to financial management decision-making in Gauteng schools. This research study presents a unique opportunity for you and your school to become involved in the process of research aimed at exploring and improving South African school system.

I cordially invite you and your school to be part of this research as it is aimed at improving financial management in South African schools. If you choose to participate in the project, kindly complete the consent form at the end of this letter.

I look forward to receiving a positive response to my invitation.

Yours faithfully

Researcher: Adebunmi Y. Aina

Supervisor: Mr Andre du Plessis

CONSENT FORM

Voluntary participation in Master's degree research project – University of Pretoria

I, _____, principal/school governing body chairperson/
treasurer of _____ school, situated
at _____
agree to participate in this research project.

I understand that my and my school's participation is dependent on permission granted by the Gauteng Department of Education to conduct this research study.

I affirm that I understand the aim, purpose, and methods of data collection of this study and that I am at liberty to withdraw my participation at any stage of the research project - as explained to me by Mrs Adebunmi Aina, the student researcher.

Respondent's name and signature

Date

ANNEXURE C: SEMI-STRUCTURED INTERVIEWS



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
Faculty of Education

Semi-structured Interview Schedule

1. What is your opinion of the stipulated guidelines given by the South Africa School Act (SASA) regarding financial management decision-making?
2. If you were given a chance to change some of the guidelines stipulated in the South Africa School Act (SASA) regarding financial management decision-making, what would you change?
3. Describe how consultation and collaboration occur among the relevant stakeholders (principals, parents, teachers and community representatives) in financial management decision-making?
4. Explain the decision-making processes that are related to financial management?
5. Describe who you think influences financial decisions?
6. Explain how financial decisions are reached?
7. Describe how training is provided for financial management decision-making.
8. Describe how you think previous financial skills and the educational background of financial decision-makers in schools impacts on decision-making processes related to school finances.
9. What do you perceive as problems in financial management decision-making?
10. Describe the causes of the problems encountered when making financial management decisions?
11. What solutions can you suggest for the problems which are related to financial management decision-making?