

Financial accountability: the principal or the school governing body?

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The Schools Act 84 of 1996 prescribes how a school should manage its funds. It also provides guidelines for the school governing body and the principal on their roles and responsibilities in managing the finances of the school. However, there are school governing bodies and principals that have little knowledge of the contents of the Schools Act or are simply interpreting it incorrectly and this has led to many schools being victims of mismanagement or misappropriation of funds in the form of embezzlement, fraud and theft. Although the Department of Education provides training for school governing bodies in financial management, financial problems in many schools have not abated. The principal or members of the school governing body (SGB) may choose to sweep these financial problems under the carpet for fear of being implicated. In instances where financial problems have been taken up with school districts in the Department of Education, many of these problems remain unresolved. Who is accountable for the school's finances, the principal or the governing body of the school? In the case *Schoonbee and others v MEC for Education, Mpumalanga and Another* (unreported case No. 33750/01) (T), the issue of accountability was raised. Should the principal or the SGB be held responsible and accountable for the school funds? The decision in this case has far-reaching implications for the various role players in school financial management. This article explores the role functions of the SGB and the principal and determines to what extent these parties are accountable for the financial school management. Guidelines have been developed that will ensure schools are managing their funds effectively and efficiently.

Introduction

The Schools Act (SA, 1996) prescribes how schools should manage their funds. It also provides guidelines for the school governing body (SGB) and the principal on their roles and responsibilities in managing the finances of the school. There are many principals and SGB members who lack the necessary financial knowledge and skills and are placed under tremendous pressure because they are unable to work out practical solutions to practical problems. In many instances, it has been reported that principals and school governing bodies have been subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records.

It is evident from the above that every school manager, whether a member of the SGB or school management team, must have some knowledge and skills relating to the inner workings of the finances of a school. They therefore need a firm theoretical framework to underpin their actions.

In the case *Schoonbee and others v MEC for Education, Mpumalanga and Another* (unreported case No. 33750/01) (T), the issue of accountability was raised. Should the principal or the SGB be held responsible and accountable for the management of school funds? The decision in this case has far reaching implications for the various role players in school financial management.

In this article the role functions of the SGB and the principal, and the extent to which these parties are accountable for the schools' financial management, are explored. Guidelines for the principal and SGB have been developed so that they can manage the school funds effectively and efficiently.

Research problem

Against the above background, the research problem was encapsulated by means of the following questions:

- Who is accountable for the management of the school's finances?
- What are the perceptions of parents and educators with regard to the accountability of the management of school's finances?
- What guidelines may be offered for the principal and SGB to manage their school's finances efficiently?

Aim statement

The general aim of the research was to determine who is accountable for the management of the school's finances. In order to attain the general aim of the research study, the following specific aims were:

- to ascertain the perceptions of parents and educators with regard to accountability for the management of the school's finances; and

- to develop guidelines so that the SGB may manage the school's finances efficiently.

Having demarcated the research problem and the aim statement, the research method to ascertain the perceptions of parents and educators with regard to accountability will now be discussed.

Research design and method

In order to determine the perceptions of various stakeholders regarding the issue of accountability, a qualitative research design that is exploratory, descriptive and contextual was used. Qualitative research is primarily concerned with the view that individuals interacting with the social world construct reality. Qualitative researchers are interested in understanding the meaning people have constructed in making sense of the world and the experiences they have in it (Merriam, 1998:6).

The researcher investigated the interpretation and meaning that parents and educators gave regarding the accountability of a school's finances. Focus group interviews were undertaken with parents on school governing bodies and educators to find out their perceptions. Merriam (1998:23) points out very importantly that the purpose of interviewing is to find out what is on someone else's mind and since this cannot be directly observed or measured, the interviewer has to ask questions in such a way as to obtain meaningful information. A purposive sampling method was used in this research. The participants were chosen from a specific target group whose opinions and ideas were of particular interest to this investigation. There were four focused interviews conducted in four schools. The population consisted of primary school educators and parents serving on the SGB in Gauteng.

A data analysis was done according to Tesch's method of open coding in order to identify themes and categories. Tesch's method described in Cresswell (1994:155) involves several steps whereby the transcriptions of the interviews with parents and educators about their perceptions were analysed. This also facilitated the process of describing principles and guidelines for school governing bodies to manage its schools' finances effectively and efficiently.

In this research study Guba's trustworthiness model (cited by Krefting, 1991:214-215) was used to establish the validity and reliability of the qualitative research. The four criteria for trustworthiness are:

- Truth-value: A qualitative study is credible when it presents such accurate descriptions or interpretations of human experiences that people who share that experience or perception would immediately recognise the descriptions.
- Applicability: As qualitative research is contextual and because each situation is unique, the findings may be transferred but not

generalised.

- Consistency: This refers to the degree to which the findings of the research will remain consistent should the research be replicated with a similar sample and in a similar context.
- Neutrality: This refers to the "degree to which the findings are a function solely of the informants and conditions of the research and not of other biases, motivation and perspectives", objectivity is the criterion of neutrality. Also in qualitative research the neutrality of the data is emphasised rather than the neutrality of the researcher.

The Schools Act gives meaningful functions to governing bodies. School governance, as regards the governing body's functions, means determining the policy and rules by which the school is to be organised, managed and controlled. To ensure consistency every SGB will have to govern their school according to a legal framework, namely, the South African Schools Act of 1996.

Findings

From the focused interviews that were conducted the findings were the following:

1. There is a perception amongst many parents, educators and principals that the principal is the accounting officer of the school and that he/she is thus accountable to the Department of Education for the school's finances. Some indicated that the finance committee is accountable while others rightly pointed out that the SGB was responsible for the management of the school's finances.
2. In some schools the principal and the school governing bodies did not work collaboratively with each other in managing the schools' finances.
3. The SGBs are not effectively trained to manage the school's finances efficiently. Some of the principals objected to the cascading model of training and found the contents of the workshops to be too theoretical. There are some trainers who do not have a sound financial background.
4. The Department of Education has no mechanisms in place to support schools on financial issues and problems.

The following discussion is to establish the true position of the SGB and the principal in financial school management.

Functions of the school governing body and the principal

The school is a juristic person

According to section 15 of the Schools Act a public school is a juristic person with the legal capacity to perform its functions. This means that the school may buy, sell, hire or own property, enter into contracts, make investments, and sue or be sued. The school performs all such actions through its governing body, that is, the governing body acts on behalf of the school. It has decision-making powers concerning the school and it may bind the school legally. When the governing body enters into a contract on behalf of the school by purchasing, for example, a computer, it is the school that is responsible for the payment for the computer and not individual members of the governing body.

Professional management of the school

The Schools Act stipulates that the principal, under the authority of the HoD, must undertake the professional management of a public school. This means that the principal has delegated powers to organise and control teaching, learning and associated activities at the school effectively.

The difference between professional management and governance

Many educationists have attempted to differentiate between professional management and governance but it is evident that there is an overlap between these two concepts. This grey area has given rise to many conflicts between principals and parent members of the SGB

(Bisschoff & Mestry, 2003). It is very difficult to differentiate between what professional matters are and what governance entails and each person will interpret it for their own convenience. Table 1 (Potgieter *et al.*, 1997: 14) illustrates some of the differences between professional management and governance. It sets out the responsibilities of the principal who should attend to the professional management of the school, and the responsibilities of the governing body that has the duty of governing the school.

Table 1 Differences between professional management and governance

Principal Professional management (under the authority of the HoD)	Governing Body Governance
• Perform and carry out professional (management) functions • Administer and organise day-to-day teaching and learning at the school • Perform the departmental responsibilities prescribed by law • Organise all the activities which support teaching and learning • Manage personnel and finances • Decide on the intra-mural curriculum, that is all the activities to assist with teaching and learning during school hours • Decide on textbooks, educational materials and equipment to be bought	• Adopt (accept) a constitution, adopt a code of conduct and develop the mission statement of the school • Control and maintain school property, buildings and grounds • Buy textbooks, educational materials or equipment for the school • Supplement the funds supplied by the state to improve the quality of education in the school • Start and administer a school fund • Open and maintain a bank account for the school • Prepare an annual budget, that is planning the school finances for the next year • Submit budget to parents and get their approval • Ensure that school fees (school funds to be paid by the parents of learners) are collected according to decisions made by stakeholders • Keep the financial records of the school

From the above it is apparent that the SGB is responsible for the financial matters of the school. However, there appears to be an overlap of duties because it seems that the principal is also responsible for the finances of the school. It should also be noted that the principal is a member of the SGB.

Accountability: the principal or the school governing body

Kogan (in Watt *et al.*, 2002) defines accountability as being "answerable to one's clients (moral accountability), liable to oneself, one's colleagues (professional accountability), and responsible to one's employers (contractual accountability). Accountability is the state of being accountable, liable, and responsible for certain actions or decisions (Watt *et al.*, 2002). Accountability refers to giving an account of actions taken and being held accountable for these actions.

Section 20 of the South African Schools Act provides the SGB the power to administer and control the school's property, and buildings and resources occupied by the school. The school governing body in most cases delegate various financial tasks to the principal and thus holds the principal accountable. A problem with delegation of duties from the SGB to the principal is that the principal is generally better informed with regard to the delegated tasks than the school governing body. The danger in this is that the principal may use this information

to pursue his or her own objectives at the expense of the school. This implies that the principal is in the position of wielding power when the members of the SGB are either illiterate or have little knowledge when dealing with school financial matters. In this article the use of accountability is reserved for authority (the state) to call an individual or group (SGB) to furnish reasons for their actions and/or decisions.

The Public Finance Management Act (Act 1 of 1999 as amended) does not explicitly specify that schools should have an accounting officer. According to section 36 (c)(1) every department and every constitutional institution must have an accounting officer. No reference is made to "institutions" but to a "department" and to a "constitutional institution". Furthermore, neither Schedule 2 nor Schedule 3 of the Public Finance Management Act indicates that schools fall within the ambit of the particular Act. Therefore, the Public Finance Management Act has no direct applicability to a school. However, section 37 of the Schools Act states that the governing body must establish a school fund and administer it in accordance with the directions issued by the HoD. This implies that the schools may be subjected indirectly to the Public Finance Management Act. Furthermore, in the case of a school having no elected SGB the HoD has the power to appoint a person to act as SGB, and that person, *ipso facto*, becomes the accounting authority on behalf of the school.

Prior to the Schools Act being promulgated every principal was considered an accounting officer and was accountable to the HoD. Heads of institutions sat with massive sets of directives about how to do everything from writing a receipt to opening a bank account. The problem now arises that the moment the school has an SGB, certain responsibilities devolve upon the SGB as a body and the authorities seem not to have formulated a set of directives to the SGBs on this matter. However, provincial departments send out circulars or newsletters to schools when problems arise or when clarification is required (GDE, Circular 13 of 2000 and Circular 9 of 2003). The HoD possesses certain powers which are limited and even these are being put to the test at present in Gauteng, where the HoD has requested SGBs not to make additional salary payment to educators (GDE, Circular 9 of 2003). In this case, it would appear that SGBs have the solution to allow an account into which "earmarked" funds could be deposited (if it were cash), and to have a set of directives on this matter. For example, a parent or a group of parents may open a bank account specifically "earmarked" to provide additional salaries or incentives for educators.

The core duties and responsibilities as set out in the Employment of Educators Act 76 of 1998 require that principals be held responsible for the professional management of the school. In terms of financial matters, the principal should have various kinds of school accounts and records kept properly and should make the best use of funds for the benefit of learners in consultation with the appropriate structures.

To many principals, educators and parents the question of who is ultimately responsible and accountable for school finances remains unclear. The principal sees to the day-to-day management of the school and has to implement the many directives and policies formulated by the Department of Education and the school governing body. Many Department of Education officials are of the opinion that the principal is the accounting officer of the school.

The author will clarify the position in the following discussion.

Case study

In the case of Schoonbee and others v MEC for Education, Mpumalanga and Another (Unreported case no. 33750/01)(T), the MEC alleged that the principal of a High School in Ermelo had misappropriated the school funds and the principal was charged accordingly. On investigation it was found that the principal had acted on the instruction (policy) of the school governing body. The MEC for Education suspended the principal and deputy principal and dissolved the school governing body. The following were some of the deliberations in this case:

- The professional management of a school is vested in the prin-

cipal and the overall governance of the school is vested in the school governing body. Principals have the duty to facilitate, support and assist the SGB in the execution of its statutory functions relating to the school's assets, liabilities, property and financial management. Principals are thus accountable to the SGB for the financial and property matters which are not specifically entrusted to him or her by statute (The Schools Act). The employer is not entitled to hold the principal liable for the SGBs obligations. The suspension of principal following the forensic audit of the school's finances was set aside.

- The principal and senior deputy principal were both suspended by the provincial head of education following a forensic audit of the school. It was established that there are confusing roles played by the principal and the deputy principal in their capacities as members of the SGB and as employees in terms of the Employment of Educators Act 76 of 1998 (PAM, Chapter A, Section 4). The employer is entitled to hold the employees liable and accountable for the professional development of the school but is not entitled to prescribe to employees, and hold them liable for statutory functions vested in the SGB relating to assets, liabilities, property and the financial management of the school. The suspension of the principal and the deputy principal was also set aside.
- The provincial head of education, immediately following the forensic audit of the school, dissolved the school governing body. The audit report raised concerns about the expenditure of school funds and the use of school property. The SGB agreed to take corrective measures communicated in the audit report. However, the Head of Education dissolved the SGB. The SGB was not afforded the opportunity to deal with the head of education's intention to dissolve it. The judge found that it was not necessary to dissolve the SGB in order to deal with concerns raised in the audit report. There was no proportionality between the SGBs conduct and the Head of Education's action. The dissolution of the SGB was also set aside.

The above decisions by the Judge were based on the following arguments.

Just administrative action

According to the Promotion of Administrative Justice Act 3 of 2000 the MEC of Education should not have taken the administrative action on account of him being biased there being a reasonable suspicion of bias. Administrative action has to be procedurally fair and an error of understanding or application of the law should not undermine it. The MEC suspended the deputy principal without affording him an opportunity to consider the administrative action and make representations as he may choose to. The deputy principal's services were terminated pending a disciplinary action. The judge could not find any legally valid basis for the MEC to suspend the deputy principal.

Professional management v governance

Prior to the Schools Act, the principal was assumed to be the chief accounting officer of the school and the MEC chose this argument to suspend the principal. The defendant (on behalf of the principal) argued that there was no justification for the MEC/ HoD to claim that the principal is equivalent to an accounting officer of the school. The principal is responsible for the professional management of the school under the direction of the HoD. The overall governance of the school is vested in the governing body, whose role the Act describes as fiduciary in respect of a school. Several tasks are entrusted to an SGB relating to the management of school property and finance. More specifically, an SGB must open and maintain accounting books. It must establish and administer a school fund; it must take measures to acquire, to manage and supplement resources such as textbooks, educational material and equipment. It has the duty to maintain, improve and protect property of the school. In relation to these matters the Act describes the principal's role simply as providing assistance to the

SGB. The principal has no executive role in relation to the SGB on property and financial matters. There are no specific duties relating to the assets, liabilities, and property, with financial management being entrusted to or vested in the principal. According to the Judge, the proper interpretation is to regard the principal as having a duty to facilitate, support and assist the SGB in the execution of its statutory functions relating to the assets, liabilities, property, financial management of the public school and also as a person to whom specified aspects of the SGBs duties can properly be delegated. On any of these interpretations the principal would be accountable to the SGB. It is also the SGB that could hold the principal accountable for financial and property matters, which are not specifically entrusted upon the principal by the Schools Act.

Dual role of the principal

There are two roles played by the principal, as *ex officio* member of the SGB on the one hand and on the other, as employee of the Department of Education. If the HoD acts against the principal then the dual role must be considered. The MEC for Education and the HoD held the principal and the deputy principal liable for the statutory obligations of the SGB and that is legally not permissible. Furthermore, while these two sit as members of the SGB it does not mean that they are the SGB. Furthermore, assuming that there are numerous complaints lodged with the Department of Education from parents about the principal's mismanagement of finances, then the SGB is obliged to investigate the allegations first. If the matter cannot be resolved, support may be sought from the MEC or the HoD.

Role of the school governing body

The Auditor-General at the request of the MEC for Education conducted a forensic audit of Ermelo High School. The forensic audit report suggested that there were several financial matters that the SGB could have done differently in respect to the arrangements dealing with expenditure of school funds or the use of school property by the principal. The SGB responded to at least two categories of the issues raised in the report by stating that they intend to take measures that will improve their financial record-keeping as well as their practices around human resources matters, including control and management of school fleet vehicles. These examples are criticisms raised by the Auditor-General which could be corrected. It was therefore not necessary to have dissolved the entire SGB. The Judge found that there was no proportionality between the acts and conduct of the SGB and certain administrative action taken by the MEC for Education and the HoD. The decision to dissolve the SGB is disproportionate to the SGBs conduct that had the intention of correcting matters that were incorrectly done.

This case has definitely brought a new dimension to the role and responsibility of the principal and that of the school governing body. The principal, by virtue of his position, plays a dual role: one who is responsible for the professional management of a school and the other as a member of the school governing body. However, in the case cited above, the Pretoria High Court ruled in favour of the governing body, the principal and the deputy principal. The suspension of the principal and the deputy principal was lifted and the SGB was reinstated. The Judge indicated that the principal could not be accused of financial irregularities, because the responsibility for the school's financial management rests with the governing body. "The principal is an educator who manages the school professionally Managing the finances is something that you cannot expect from him (the principal). The contention that the principal should be held accountable for the finances is an absurd proposition".

The principal, by virtue of his/her position as professional manager and ex-officio member of the school governing body (of which the principal is a member) has a very important role to play in the financial management of the school. It can be concluded that the principal must work collaboratively with the school governing body in the management of finances. Although the school governing body is

accountable to the parents for school funds, the principal can play a supportive role in ensuring that the school's finances are managed efficiently. It is also the responsibility of the HoD to ensure that principals and other officers of the education department render all the necessary assistance to governing bodies in the performance of their functions.

Training school governing bodies and principals

Section 19 of the South African Schools Act stipulates that the HoD should provide introductory training for newly elected governing bodies to enable them to perform their functions. They should also be provided with continuous training to promote the effective performance of their functions or to enable them to assume additional functions. Training in financial school management should be practise-based and the following sections should be covered in training:

- The legal framework that underpins financial school management
- Funding of schools. This includes state funding and schools contribution. Training in the management of school fees is crucial.
- Financial planning and this includes budgeting
- Financial organisation
- Financial control
- School information systems

Financial school management

Management of a school's finances is an integral part of effective school management. Within the management structure it can be considered similar to that of curriculum or human values, in terms of status and influence. Training in financial management is fundamental in preparing and equipping school managers with financial skills. This training should enable the school governing body to be responsible and accountable for funds that have been received for the attainment of specific school objectives. It will also equip them to make a contribution towards the improvement of the overall quality of teaching and learning of the school.

To answer the question 'What is good financial management?' The SGB needs to bear in mind the following aspects that constitute good financial management (Bisschoff & Mestry, 2003):

1. The responsibility of the governing body, its committees (especially the financial committee), the principal and staff should be clearly defined and the limits of delegated authority should be clearly established.
2. The budget should reflect the school's prioritised educational objectives, seek to achieve the efficient use of funds and be subjected to regular, effective financial monitoring.
3. The school should establish and implement sound internal financial control systems to ensure the reliability and accuracy of its financial transactions.
4. The school should be adequately insured against exposure to risks such as theft, vandalism and fraud.
5. If the school uses computers for administrative purposes all data should be protected against loss, for example, when computers are stolen or if the system is infected with a virus. It is advisable to have a back-up system and all data should be updated on a regular basis.
6. The school should ensure that purchasing arrangements comply with good accounting practice, that is, quality should not be sacrificed. The finance committee or SGB should put control mechanisms in place to ensure that authorisation is given for all purchases.
7. There should be sufficient procedures for the administration of personnel matters.
8. Stocks, stores and other assets should be recorded, and adequately safeguarded against loss or theft. Asset registers should be maintained.
9. All income due to the school should be identified and all collections should be receipted, recorded and banked promptly.
10. The school should properly control the operation of only one

bank account and reconcile the bank balance with the accounting records.

11. The school should control the use of petty cash. The imprest system of funding petty cash items is one way of controlling petty cash. An amount is given to the petty cashier, for example, R400. If the petty cashier spends R250 for a particular period then the treasurer will reimburse the petty cashier R250 that will restore the imprest to R400.
12. School funds should be administered as rigorously as public funds.

It should be noted from the preceding discussion that the school governing body is responsible and accountable for the management of funds of the school. The principal must facilitate, support and assist the SGB in the execution of its statutory functions relating to the assets, liabilities, property and other financial management issues.

Legal framework for financial school management

Prior to the formulation of the South African Schools Act 84 of 1996, school activities were largely unregulated and this had a detrimental effect on the culture of teaching and learning in most disadvantaged schools (Mestry, 1999). It is clear that neither central government control nor devolution to provincial level can be effective without a set of guidelines or regulations on how schools should be managed. The Schools Act was the first attempt to involve communities in governance and to set out guidelines for managing schools. It provides unprecedented responsibility to school governing bodies by regarding all schools as equal and making parents primarily responsible for the education of their children through democratically elected structures. The preamble to the Act emphasises a partnership between the parents and the government and aims ultimately to devolve maximum decision-making and power from education departments to school governing bodies.

According to Knight (1993:6) school financial management does not operate in a vacuum. In systems that are still strongly centralised, those responsible for managing a school's finances will operate in an "Alice in Wonderland" situation where, although they are managers, they do not really know what their schools' costs are and are in no position to manage them. They will tend to see funds for their school as coming from some magical external source and which they tend to view as none of their business.

It is the intent of the State to move towards making every school independent and self-managing. The full control of funds in the school therefore becomes the responsibility of the school governing body. The State, apart from paying teachers' salaries, providing school buildings and allocating financial resources for learning support material, services and maintenance of schools, has very little influence over the school's finances. The SGB must ensure the existence of and the effective execution of a sound, watertight financial policy and also management procedures. Regular checks and counter-checks are necessary to avoid the mismanagement of funds by any person or groups of persons. In this scenario the principal performs a consultative role and will be called upon to advise the SGB on financial matters.

In determining the state's contribution to the school fund it is important to distinguish between the different sections of the Schools Act. In the SA Schools Act all public schools have compulsory functions under Section 20. Schools that have the capacity to manage their finances efficiently may apply for additional or allocated functions under Section 21. The implications of schools applying for Section 21 status and schools that choose not to be registered as Section 21 schools (non-Section 21) will be discussed.

Funding of schools

Non-Section 21 schools

In the case of non-Section 21 schools the State's allocation is not paid over to the school's banking account. The department determines an amount for resource allocation and the Department of Education controls the school's expenditure. This type of budget is referred to as

a "paper budget". The school via the department has to spend the allocated amount only as follows:

- Learner support material, education material, equipment and curriculum needs: 60%
- Maintenance of and repairs to buildings: 12%
- Payments for services (municipal): 28%

Schools may acquire the goods and services only from authorised suppliers selected by the provincial Department of Education. The principal is required to fill in the necessary requisition forms and submit it to the department who will then pay the suppliers. There are numerous disadvantages for non-Section 21 schools:

- Schools are unable to negotiate discounts, better prices or even efficient suppliers. They must only deal with suppliers contracted to the department;
- The districts do not have the capacity to process the requisitions timeously because they deal with approximately 150 schools in the district. Furthermore, the district officials must attend to all problems these schools experience.
- If suppliers at year-end cannot process all the requisitions on time, schools lose their allocations since there is no 'roll over' of the unspent budgeted amounts. This means that if the school does not spend all the funds allocated by the state in a particular financial year they will lose that unspent portion of the allocation. It cannot be carried over to the next financial year.
- Goods are not delivered on time, services are not rendered when required, and no after-sales services are provided.

The advantage of being a non-Section 21 school is that when the cost of a service provided is far more than the amount allocated by the state, the state has to pay for these services. Some schools are only allocated about R80 000. Note that 60% of the R80 000 (R48 000) must be spent on learning support materials, 12% (R9 600) must be spent on repairs and maintenance. This means that the school only has R22 400 (28%) to pay for services rendered. If the water and electricity account amounts to R 60 000 per annum, the Department of Education is obliged to pay the balance (R37 600) to the service provider.

Section 21

Allocated functions of governing bodies

Subject to the Schools Act, a governing body may apply to the Head of Department (hereafter referred to as HoD) in writing to be allocated any of the following functions:

- to maintain and improve the school's property, and buildings and grounds occupied by the school, including school hostels, and where applicable;
- to purchase textbooks, educational materials or equipment for the school;
- to pay for services to the school.

The HoD will allocate Section 21 only if the school has the proven capacity. This is determined by ensuring that the school has managed its own funds efficiently and also that it is complying with all the regulations as stipulated in the Schools Act, for example, submitting audited financial statements of the school within the six months of the following year. When the school is allocated the Section 21 functions, the provincial department will deposit the school's resource allocation directly into the school's banking account.

The schools are required to spend the allocation in the same way as non-Section 21 schools, namely, 60% on learning support materials, 28% on services, and 12% on repairs and maintenance. Some of the advantages for schools applying Section 21 functions are:

- The SGB may select its own suppliers in respect of purchasing learning support materials.
- In the event of the school being unable to spend all the state's allocation in time, the SGB may still process orders for services to be rendered or learning support materials to be purchased because the money allocated by the provincial department is still in the school's bank account.

The powers of the department to manage the finances of schools are thus devolved to schools that applied for the allocated functions. One disadvantage of school based management is that the school is obligated to pay for any service over its budget. In the example quoted above in respect of water and electricity, the school and not the department will be obligated to pay for the difference.

Financial organisation

Finance committees and sub-committees

The school governing body in terms of section 30 of the Schools Act is allowed to set up a finance committee and sub-committees such as a fundraising committee, tuckshop committee or a school fees committee. The SGB may delegate (in writing) the responsibility of managing the finances to the finance committee. The governing body may appoint people who are not members of the SGB to serve on these committees. These people are appointed on the grounds of their expertise in a particular field, such as appointing an expert on financial matters. The chairperson of every committee and sub-committee must be a member of the school governing body.

School governing bodies may delegate various financial functions to committees especially set up to manage aspects of the school's finances. They may also delegate these functions to individuals who have the necessary expertise, specialised knowledge or skills in school's finances. The finance committee should co-ordinate the activities of the various sub-committees. Good communication structures should be in place. Feedback from the school governing body to the finance committee and various sub-committees and backwards is critical for the effective management of the school's finances.

Some of the most important functions of the finance committee are to develop and implement a finance policy, to construct a budget and keep control of it, monitor and approve all expenditure and ensure that all procurement (purchasing of goods and services) is done through correct quotation and tendering procedures.

From the above it is clear that the finance committee of the school plays a pivotal role in managing the finances. It is thus recommended that where members of the SGB have no or little financial knowledge in finances, then the SGB should solicit the services of an expert with sound financial knowledge from the parent community. Furthermore, it is vital for this committee to conduct regular meetings to discuss financial matters and the members should be committed to carrying out their responsibilities. Decisions relating to financial matters taken by the Finance Committee must always be ratified by the SGB. The SGB is accountable for the school funds even though most of the financial functions may be delegated to the Finance Committee.

School's finance policy

In order for a school to manage its finances effectively and efficiently a school finance policy must be developed, adopted by all the relevant stakeholders and implemented accordingly. The policy must comply with available legislation such as the Schools Act and it should set direction and give guidance. Schools and systems need policies and the financial policy may eliminate or reduce the mismanagement of school funds.

According to Ryan (1994:25) a good policy identifies and articulates the values and the basic principles to be applied to specific needs in an organisation. In other words, it tells an educator or an administrator what is required and it sets the broad objectives that should be achieved in managing the school's finances. An effective policy should not only set direction but should also give directions. Educators or administrators are left to apply that policy with the discretion required by circumstances and their own professional judgement.

A good policy has four distinct components that should be identifiable within any policy document:

- A statement of the need for a policy. When the need is clearly articulated the credibility of the policy and the policy making process will be enhanced.

- A statement of the values and principles that should be brought to bear on that need. Values and principles drive policy. Values such as transparency, democracy and honesty should form the basis of the policy.
- A statement of the "guide for discretionary action". Whatever the guide for discretionary action is identified, it must be a guide or a directive that an educator or administrator must merely implement.
- A statement of expected outcomes. Identification of expected outcomes assists in the necessary process of policy review or evaluation. It allows the simple question, 'Have these outcomes been achieved?'

It is necessary to spell out the rules and regulations of handling the money/assets of the school in the finance policy. The procedures for handling school fees, donations, post-dated cheques authorisation for cheque payments, signatories to the bank account, bank overdrafts, trust accounts, documentation, recording transactions, and every aspect related to the school's finances should be included in the school's financial policy.

The finance policy should clearly outline the duties or responsibilities of the treasurer, finance officer, auditor, finance committee, the principal, and other persons (for example, educators) delegated for specific tasks.

The finance policy must include a section on financial control mechanisms. The finance committee should develop and put in place control mechanisms that will contribute effectively to the safe and accurate administration of funds. Key control mechanisms for the following should be developed and form part of the finance policy:

1. Cash receipts and cash payments
2. Tuckshop control (if the school has one)
3. School fees
4. Management of assets
5. Stock control — cleaning materials and stationery
6. Petty Cash payments
7. Budgetary control

For example, the policy should clearly outline how the assets of the school are controlled or what criteria are applied to appoint a registered auditor. One of the most important principles in school financial management is the "separation of powers". The school governing body should ensure that various tasks are delegated to different people who have the necessary knowledge and skills to perform these tasks efficiently. This ensures transparency and accountability and avoids or minimizes fraud, pilfering, theft or collusion.

Financial control

Audit of school finances

External audit

According to the Schools Act, the school's financial records and Annual Financial Statements must be audited by a registered public accountant and auditor in terms of the Public Accountants' and Auditors' Act. The treasurer or a designated person/s may also conduct internal audits during the course of the year.

Internal audit

Although the Schools Act makes no provision for internal auditing, it is vital that the school governing body has an internal auditing mechanism in place. They could appoint a team from the SGB or appoint someone from the community to do regular checks of the school's finances, for example, once a month.

Conclusion

The case of Schoonbee and other v MEC of Education, Mpumalanga and Another (unreported case No. 33750/01(T)) has created a new dimension for the effective and efficient management of school finances. Previously, the principal was considered the accounting officer of the school's finances. The school governing body by virtue of the Schools Act is responsible for the financial matters of the school. They may

delegate tasks to the principal and other role players but they will be held accountable for the finances of the school. A systems model is introduced in financial school management that will ensure the effective, efficient and economical management of the school's finances.

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