The oversight functions of school governing bodies in the management of budgets

Abstract

The South African Schools Act, No. 84 of 1996 (RSA, 1996) heralded a shift in decision-making powers through decentralising school governance from the state to local communities. One of the primary functions of school governing bodies (SGBs) is to manage school finances. It is imperative for SGBs to design and implement irrefutable finance policies that clearly and unambiguously spell out specific structures and processes by applying relevant legislation and regulations enforced by the Ministry of Education. Using a generic qualitative approach within an interpretivist paradigm, this paper accentuates the oversight functions of SGBs to manage budgets effectively and efficiently. This research was grounded in a social constructivist paradigm and data were collected by way of semi-structured interviews and document analysis. Findings revealed that many SGBs place very little importance on the oversight functions of budgets which usually result in the mismanagement of school funds. This is reflected in poor finance policy formulation and implementation, and the absence of operational mechanisms (e.g. budget variance analysis) to curb wasteful and fruitless expenditure. Furthermore, challenges associated with the non-compliance of a finance policy and the failure of SGBs to take timely corrective action exacerbate the problems of poor financial management.

Keywords: budget, budget control, budget monitoring, financial management, finance policy, oversight,

1. Introduction and background to the problem

Since 1994, the democratic government has introduced far-reaching legislation in education such as the South African Schools Act, No. 84 (RSA, 1996). This Act gives local communities the responsibility to govern public schools. Thus, decision-making powers have shifted through the decentralisation of directive leadership from the state to the school level (Mestry & Bisschoff, 2009). Since school governing bodies (SGBs) are responsible for managing school finances, it is imperative for governors to be financially literate so that sound financial decisions are made. The SGB thus plays a crucial role in advancing the aims, objectives, and overall productivity of schools.
The findings of local research studies reflect that SGBs lack the requisite knowledge and skills to design operational budgets (Dlomo et al., 2022; Dwangu & Mahlangu, 2021; Dibete & Potokri, 2017; Marishane & Botha, 2004). Since 1994 there have been numerous media reports, forensic audits and disciplinary hearings implicating school managers and governors of mismanaging school funds. Many SGB members have little understanding of the legislative framework that governs school finances (Myende, Samuel & Pillay, 2018; Basson & Mestry, 2019) and are unsure of their financial functions (Mandlazi & Govender, 2021). Also, as members of SGBs, many principals do not have the financial expertise and usually find themselves under immense pressure to find effective financial solutions to practical problems (Dwangu & Mahlangu, 2021; Luphoko, 2019; Myende et al., 2018).

One of the key functions of SGBs is to draft and implement school budgets. A budget is an important management tool that lays the foundation for effective financial management (Mosala & Mofolo, 2022; Dibete & Potokri, 2017). In this paper, we emphasise SGBs' oversight functions of managing budgets. These oversight functions encompass monitoring and controlling budgets. Budget monitoring involves a continuous, methodical comparison of projected and actual income and expenditure, and serve as warning systems for budget implementation challenges (De Bruin, 2014, in Letsapa, 2021). This enables SGBs to take prompt corrective actions, ensuring the efficient allocation of financial resources, particularly for the well-being and educational advancement of learners (De Bruin, 2014, in Letsapa, 2021.). Budget control is instrumental in rectifying disparities uncovered during budget monitoring. It upholds fiscal accountability, legal compliance, and operational stability while emphasising efficient and transparent resource acquisition and utilisation (Mosala & Mofolo, 2022; Letsapa, 2021). Notably, it reinforces institutional accountability, particularly to parents and learners, underscoring its role in safeguarding the integrity of SGBs and promoting transparency (Mosala & Mofolo, 2022). The oversight functions of SGBs align with policy expectations established in the South African Schools Act, particularly Section 38(1), which prescribes that SGBs are responsible for preparing a school budget in accordance with prescriptions set by the Member of the Executive Council (MEC) (RSA, 1996). Furthermore, Section 38(2) of the Act stipulates that SGBs must present the budget to parents at an annual parents' meeting for approval. These legal requirements underscore the pivotal role of SGBs in budgetary matters, emphasising the necessity of sound financial management and accountability (Ngubane, 2009). Drafting a school budget is time-consuming and complex and requires intensive planning. In the execution of budgets, SGBs should plan for unexpected events that emerge (for example, the Covid-19 pandemic) and guard against any shortfall that may arise from these unexpected events.

The SGBs should ensure that there is no deviation from the approved budget, unless unexpected events have a negative impact on the goals of schools. It thus becomes crucial for SGBs to develop fiscal oversight mechanisms that require compliance and accountability from officials who are directly involved in the management of school finances. In a school context, accountability confirms that schools’ resources exist; that they are used for legitimate and legal purposes; and that assets and resources are strictly accounted for (Mestry, 2004, in Ntsele, 2014: 18). In this regard, accountability is measured by the extent to which decisions are taken, and resources are used to attain the educational goals of the school (Dwangu & Mahlangu, 2021). It is thus imperative that the budget is managed effectively and efficiently. Control measures that are compliant with national and provincial regulations emphasise that
funds are spent judiciously, efficiently, and cost-effectively and in the best interest of learners. This is a tall order, especially if SGBs lack the necessary financial attributes to effectively manage school funds.

As mentioned previously, one of the primary responsibilities of SGBs is to develop and implement budgets effectively. Moreover, their oversight functions are pivotal. However, most members lack the requisite skills to collaborate with role-players and strategically plan and implement effective budgets. The oversight functions of budgets require accounting skills that will enable SGBs to translate figures to sound financial decisions. Budget planning makes it imperative for principals and school management teams (SMTs) to provide SGBs with data such as enrolment projections that estimate how many children will enrol in the next academic year, estimate how many learners are indigent, and how many will apply for fee exemptions. It is difficult for SGBs to budget effectively when funding levels are not accurately established. If enrolment projections and funding are off target, this has serious implications for effective budgeting and the attainment of school goals.

Many local studies explored the functions of SGBs and how they ought to manage school finances (Mestry, 2020; Marishane & Botha, 2004). Some studies revealed robust conflicts between SMTs and SGBs (Dwangu & Mahlangu, 2021; Basson & Mestry, 2019), and yet, what is not specifically researched is the oversight functions of SGBs in managing school budgets. Budget oversight includes monitoring and control which are indeed operational financial management dimensions that must be carried out by SGBs (or delegated finance committees) (Dwangu & Mahlangu, 2021; Basson & Mestry, 2019). Mestry and Naidoo’s (2009) study dealt with budget challenges experienced in township schools, while De Bruin (2014) briefly investigated budget monitoring and control. Both studies identified a multitude of challenges confronting SGBs in the realms of budget control and monitoring. These challenges encompass various facets of the budgeting process, including budget preparation, implementation, monitoring and control. According to Rangongo (2011), understanding financial legislation remains a problem at many schools. Most SGB members find difficulty in interpreting and implementing the South African Schools Act as well as other regulations, guidelines and prescripts. Although principals are required to support SGBs to manage school finances, both principals and SGBs are placed under tremendous pressure because they lack the necessary knowledge and financial skills to make sound decisions (Mestry, 2004). This study sought to explore the challenges and complexities associated with the oversight functions of SGBs in managing school budgets.

2. Research questions
The main research question is: What are the oversight functions of SGBs to manage school finances?

The following sub-questions were formulated:
- What oversight measures have SGBs put in place to manage school budgets?
- What are the perceptions and experiences of SGBs in undertaking their oversight functions in the management of budgets?
3. Aim and objectives of the study

The general aim was to investigate the oversight functions of SGBs in the management of school budgets.

The following objectives were set out to achieve the aim of the study:

- To explore oversight measures that SGBs put in place to manage budgets.
- To determine the perceptions and experiences of SGBs in undertaking their oversight functions in the management of budgets.

4. Literature review

This literature review explored fundamental constructs associated with the process of budgeting and, more specifically, the oversight function of budgets. In essence, this literature review aimed to establish what is currently known about the oversight functions of budgets, latest trends in financial management, and how SGBs undertake their oversight functions.

4.1 Legal framework for school budgeting

Essentially, school governance is underpinned by the South African Schools Act, No. 84 (RSA, 1996). As a primary source, it prescribes the financial management functions of SGBs and defines the responsibilities of financial committees (e.g. finance committee) and various officials (e.g. treasurer) who are directly entrusted with school funds (Rangongo, 2011). To make sound decisions, it is thus imperative that SGBs have good knowledge of the Act and other related policies that deal with their responsibilities and oversight functions (monitoring and control) of budgets.

Although Section 16A of the Education Laws Amendment Act (RSA, 2007) requires principals to support SGBs in school governance. The principal must assist the SGB in the performance of its functions and responsibilities, but that such assistance must not be in conflict with instructions of the Head of Department, legislation or policy, an obligation towards the Head of Education, or the Member of the Executive Council (MEC).

4.2 The process of budgeting

There is a clear distinction between budget and budgeting. A budget is described as a management tool that allows SGBs to plan and execute the proposed funds generated (Ojo, Farayibi, & Akinnuli, 2020). In essence, a budget allows SGBs to align financial resources to the goals of schools (Dwangu & Mahlangu, 2021). Mestry and Bisschoff (2009: 99) describe a budget as a mechanism for setting goals and objectives, measuring progress towards the achievement of objectives, identifying weaknesses or inadequacies, and controlling and integrating the diverse activities carried out by numerous sections or departments within a school.

Budgeting is a process of allocating finite resources to prioritised needs of an organisation (Ojo et al., 2020). During the process of budgeting, a budget is seen as a road map to guide financial decisions.
According to Mestry and Bisschoff (2009), the drafting and implementation of budgets encompass several stages, commencing with a school audit or identification of needs, followed by collaboration with relevant stakeholders to draft budgets, securing approval for these budgets, executing school activities and programmes according to the approved budget, continuous monitoring and control of budgets, and ultimately evaluating their effectiveness.

In a South African context, schools generally start the process of budgeting during October of the previous school year (Mestry & Bisschoff, 2009). The SGB, the finance committee, and other sub-committees will identify the cost of the schools’ needs, where or how the school will find the resources to realise its objectives and keep the school functioning effectively in the future (Maritz, 2005). Once decisions are made through feedback meetings with stakeholders, a budget is drafted. According to Section 38(1), SGBs must prepare a budget under the prescriptions determined by the Member of the Executive Council (MEC) and Section 38(2) requires them to present the budget to parents at an annual parents’ meeting for approval (RSA, 1996). Once the budget is approved by both SGBs and parents, implementation thereof is operationalised (Mestry & Bisschoff, 2009). It is during this phase that the oversight function becomes more pronounced. In addition to state subsidies, it is imperative for SGBs to generate funds through fundraising initiatives, collecting school fees from parents/guardians and securing sponsorships and donations. It is only through funding that planned educational activities can be realised. To achieve school goals, the acquisition of resources (human and physical), procuring consumable items and cleaning materials, attending to repairs and maintenance, among many others, are obligatory. SGBs should ensure that income derived is spent cost-effectively and efficiently. Thus, SGBs’ oversight functions become crucial in the implementation stage.

Many scholars frequently use the terms ‘monitoring’, ‘control’ and ‘oversight’ interchangeably. In this paper, we intentionally used monitoring and control as distinctive descriptors of the oversight functions of budgets. Budget monitoring is a continuous process of establishing whether there is a difference between planned financial status at a given time and the actual financial status at that time. This means that projected income and expenditure should not deviate significantly from actual income and expenditure (Du Plessis, 2012). If reasons for any deviations are established, budget monitoring allows SGBs to take timely, corrective action (Moses, 2023; Mestry, 2020). These deviations are referred to as variance. Budget control entails establishing whether targets incorporated in policies, plans and rules are being carried out appropriately or efficiently, and involves three necessary steps, namely establishing standards, measuring performance against the standards and correcting deviations from standards and plans (Van der Westhuizen, 2002). The aim of budget control is to correct deviations that have been picked up during the monitoring process.

From the above, we determine oversight as “keeping a watchful eye”, acting on behalf of stakeholders’ interests, particularly in relation to the parameters within which SGBs manage school funds (Radin & Stevensons, 2006, in Cullen & Brennan, 2017: 1883). SGBs must ensure sound management of public finances and efficacious oversight of budgets, which are key dimensions for good governance. Oversight functions of budgets include direct involvement in strategic planning, approving annual budgets, and monitoring expenditures (Cobb-Clark & Jha, 2016). The oversight function of SGBs is to ensure that an organisation operates within its legal boundaries, is financially and operationally sound, utilises its financial resources effectively and efficiently, and is transparent and accountable to its stakeholders (Bossu & Rossi, 2019). According to Mbete (2016), oversight and accountability are regarded
as two sides of the same coin that are essential in ensuring that the community, more especially parents and learners, receive value through service delivery and good governance. Accountability is one of the measures of oversight that affirms an acknowledgment of responsibility for actions, decisions, and policies. Accountability encompasses the obligation of SGBs to report, explain, and answer for consequences to parents and PDoE (Tumushabe et al., 2010: 4).

It is thus crucial for SGBs to undertake their oversight functions so that the school community is assured that:

• Activities are in accordance with legislative mandates.
• Funds provided are fully accounted for.
• Activities are conducted in the most efficient and effective manner.
• Staff and all other officials adhere to the highest standards of professionalism, integrity, and ethics (Reinosa, 2022).

4.3 Measures to manage budgets effectively
The oversight functions of SGBs entail the identification and prevention of fraud. The level of oversight and the complexity of each school’s financial system will depend on specific contexts. According to Mkhize, Fouche and Van der Walt (2021), some financial risks related to budgets include:

• Asset misappropriation, including fraudulent payment for the procurement of assets.
• Conflict of interest in the procurement of services or facilities.
• Inflation of enrolment figures and falsified attendance records.

SGBs can eliminate or reduce risks of fraud or mismanagement of school funds if proper monitoring and control measures are put in place. Where no proper control is exercised by SGBs, collusion increases the difficulty of detecting mismanagement, especially when school leaders or SGBs collude to manipulate documentation and reporting. However, strong internal control measures and effectively implemented financial systems are likely to mitigate these risks. It is thus essential for SGBs to develop and implement watertight school finance policies (RSA, 1996). Rangongo (2011) defines a finance policy as a framework that spells out structures, regulations, rules, procedures, and practices to ensure effective management.

The financial books of the school should be audited annually, and this is in line with Section 43(1) of the Schools Act (RSA, 1996). It is also strongly recommended that internal control be instituted by appointing someone from the community to monitor the financial records of the school frequently.

5. Theoretical framework
This study was grounded in Engestrom’s Cultural-Historical Activity Theory (CHAT) (Hardman, 2005: 260). CHAT provides a framework for analysing activity systems. In this case, the activity system is the school (see Figure 1). CHAT theory was used to understand the process of transformation within a system as well as illustrate how different systems (e.g. SGB and Finance Committee) interact and transform one another over time. Furthermore, CHAT theory “assumes that people are active cognising agents and that they act in sites that are not necessarily of their choosing with tools that constrain and afford their actions”
In this study, CHAT underpins the investigations of understanding how SGB members socially construct meaning about their oversight roles in monitoring and controlling budgets, using their own unique rules, tools, community members and culture to achieve efficient and effective budget monitoring and control measures.

The rationale behind using CHAT as a framework for this study is that it provides a critical lens that is useful in showing how SGB members may find it difficult to access the knowledge and actions necessary to grow and improve in budget monitoring and control functions. CHAT theory allows us to understand that learning is a complex result of “tool mediated interactions”, instead of something that just happens in members’ minds; therefore, providing a framework for SGBs to work towards better practices regarding their roles in monitoring and controlling budgets through interaction within this system (Trust, 2017: 98). SGBs will not be able to grow and improve their monitoring and controlling abilities if they do not understand the factors that shape the knowledge they use or an understanding of how knowledge is shared in an activity system together with knowing how these different factors come together (Trust, 2017: 98). Each factor plays a role in achieving the objectives and outcomes of the “activity system” (Trust, 2017: 98).

![Cultural-Historical Activity Theory framework](Young, Dong-Han & Wan, 2016)

**Figure 1:** Cultural-Historical Activity Theory framework (Young, Dong-Han & Wan, 2016)

6. **Research methodology**

Using a generic qualitative approach within a social constructivist paradigm was beneficial to explore the experiences of SGBs in their oversight to manage school budgets (Percy, Kostere & Kostere, 2015). The social constructivist paradigm suggests that people seek understanding of the world in which they live and develop subjective meanings of their experiences, in this case the management of budgets by SGBs (Creswell, 2009: 8).
To obtain rich data, it was crucial to interview officials who had first-hand experience and specialised knowledge of the phenomenon studied. Purposeful sampling was used to select participants in the Johannesburg South region of the Gauteng province of South Africa. We approached education district officials to help identify four schools, two primary and two secondary schools that had good records of managing their finances effectively. The participants selected in each of the four schools had to be directly involved in the school's finances (McMillan & Schumacher, 2006: 351). The target sample at each school comprised the principal, chairperson of the SGB, the parent component, and the treasurer who also served as chairperson of the finance committee. All these office bearers had to be in their respective positions at the selected schools for at least three years.

Document analysis was one method used to collect data. Document analysis is a “systematic procedure for reviewing or evaluating documents” (Corbin & Strauss, 2008). Financial documents such as budgets, income and expenditure statements, minutes of SGB/Finance Committee meetings and financial documents were used to monitor and control budgets. According to Johnson and Christensen (2012: 203), document analysis can prove to be an extremely significant data source. For example, SGBs must, if the finance policy stipulates this, obtain three quotations from different suppliers for any asset or education resources procured above R2 000. The quotations, ‘Payment Authorisation Form’ and finance policy will validate the payment to be made to the supplier and thus serve as a control mechanism. The document analysis and data obtained from interviews are triangulated and these help in addressing the aim and objectives of the study.

The main data collection method was semi-structured Interviews. All the interviews were video recorded with the permission of participants. These interviews allowed participants to share their perspectives, experiences, feelings, and thoughts regarding their oversight function in managing budgets (Fouché, 2002: 270). The video-recorded interviews were transcribed verbatim (Henning, Van Rensburg & Smit, 2004) and checked for completeness and errors. Tesch’s method of open coding was utilised to form and identify themes (Creswell, 2009) that emanated from the data analysis. We continually reflected on the purpose of the research and made sure that the themes developed were mutually exclusive and independently derived.

To ensure the trustworthiness of this study, we made use of digital video and audio recording tools to record and produce transcripts as accurately as possible. The transcripts were checked and rechecked against the video and tape recordings. Individual checks were also conducted by participants to verify their contribution to their respective interviews (Lincoln & Guba, 1985: 314). We also applied reflexivity, which involved critical self-reflection regarding “worldviews, assumptions, biases, relationship to the study and theoretical orientation” (Creswell, 2009: 192). In addition, a reflective journal to track encounters at the schools, viewing documents, and decisions made during the study ensured transferability and dependability (Lincoln & Guba, 1985: 319).

Finally, to ensure triangulation, the data collected from the interviews were triangulated with data collected from document analysis at each school (Denzin, 1970). With the approval of the SGB and the principal, financial statements, school budgets, and financial policies were analysed with the aim of extracting significance, foster comprehension, and advancing practical insights (Denzin, 1970).
7. Findings and discussion

To maintain the anonymity and confidentiality of participants, the following symbols were used:

<table>
<thead>
<tr>
<th>Principal of School 1 (PS1)</th>
<th>Principal of School 2 (PS2), etc.</th>
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<tbody>
<tr>
<td>Treasurer of School 1 (TS1)</td>
<td>Treasurer of School 2 (TS2), etc.</td>
</tr>
<tr>
<td>Chairperson of School 1 (CS1)</td>
<td>Chairperson of School 2 (CS2), etc.</td>
</tr>
<tr>
<td>Parent of School 1 (PARS1)</td>
<td>Parent of School 2 (PARS2), etc.</td>
</tr>
</tbody>
</table>

Where reference is made to a school the keys S1, S2, S3 and S4, are used respectively.

The following themes that emerged from the data analysis are now discussed.

7.1 Theme 1: Lack of financial knowledge and skills to monitor budgets

One of the objectives of the study is to determine the perceptions of the participants regarding the role of SGBs in their oversight functions. Based on interviews with participants from the four sampled schools, it was established that financial officers (SGB members and school administrators) had very little knowledge and skills to manage school finances, including budgets effectively. Some schools had no internal measures to monitor budgets or, where instituted, internal measures were on an *ad hoc* basis. It was evident from the document analysis that SGBs placed very little importance on monitoring and control of budgets. As an external control measure, the South African Schools Act prescribes the appointment of professional auditors to ensure that finances are managed in accordance with generally accepted accounting principles (GAAP). The sampled schools instituted this measure.

At some schools, it was determined that documentary evidence such as invoices, statements of accounts, receipts and payment authorisation forms were not meticulously sustained. In fact, some schools had no systems to maintain documents for every financial income and expenditure transaction. CS3 reported:

> … there was a time where I had a huge problem with the finance officer who failed to present the school’s receipt book. We later realised that many receipts were not there [in the receipt book]. We informed the appointed auditor who requested that a new finance officer be appointed.

The failure of finance officers to produce documentary evidence was a clear indication at some schools that finances were not managed effectively. One of the principles of effective and efficient management of finances is to ensure that financial records are meticulously maintained. SGBs need to establish proper bookkeeping systems and keep proper records of disbursement and sources of income (Mestry & Bisschoff, 2019). This will inevitably facilitate regular monitoring of budgets through constant reconciliation of financial records and reporting to stakeholders.

As an oversight function, internal monitoring systems were necessary to ensure that issues of dishonesty, fraud and mismanagement are eliminated or minimised. When asked which systems were used for budget control, some participants displayed limited knowledge of the types of systems that could be put in place. The responses of SGBs generally reflect that budgets were maintained satisfactorily after instituting monitoring and control systems. However, some systems instituted by SGBs lacked the finer details of incorporating accounting procedures and processes. It can be argued that members’ financial knowledge and skills are critical to enhance good financial management of budgets.
To achieve the desired financial outcomes, it is important to delegate financial responsibilities to competent person/s on SGBs. Some of the selected schools appointed SGB members who had corporate financial skills and knowledge and could apply these to school contexts.

TS4 averred,

... I have some background in corporate finances. We thus drafted the finance policy, which we use as a guide in terms of transactions and income and expenditure ... Apart from that, we use a cash receipt book, deposit book, the cheque book, and financial statements you know. There is also the ledger for accounting that has all the transactions of debits and credits on it. We have meeting minutes and yah ... Oh yes, and even quotations and purchase receipts.

It must also be mentioned that School 4 had systematically compiled financial reports, produced audit trails, and frequently prepared Variance Statements (to be discussed later) to corroborate the above findings. This is important, because it shows that regular financial reports can be given to all those who have financial interests in schools. Furthermore, the school can account for funds by producing relevant documentary evidence.

The findings also revealed that budget monitoring and control systems were in place at some schools. However, there were other schools that seem to be challenged in managing school budgets. SGBs’ lack of knowledge in designing and implementing internal systems seems to be a huge contributing factor to managing school budgets effectively. This notion is supported by Rangongo, Mohlakwana and Beckman (2016: 3), who mentions that a lack of internal control systems and a lack of knowledge are some of the main weaknesses experienced at schools. These findings are corroborated by research conducted by Dwangu and Mahlangu (2021) and Dibete and Potokri, (2017), who highlight that SGBs lack adequate expertise and the necessary skills essential for proficiently handling their school finances.

There is evidence that at all the selected schools, the design and implementation of the school finance policy was the sole domain of principals. The views shared by the two SGB parent members from School 2 and 4 showed that not all role-players were directly involved in drafting the finance policy, and only some had knowledge of the contents of the finance policy. Other participants clearly highlighted that the finance policy is not really implemented at their respective schools, TS1 pointed out,

I think they [SGB] have a policy, they trying to follow it, but not fully, five percent or so.

Although all participating schools were in possession of financial policies, the access and implementation thereof left much to be desired. Principals gave a general impression that their finance policies were well-structured and that it was flawlessly implemented. However, when asked how the finance policy is used for budget purposes and when it was last updated; participant responses painted a different picture.

PAS3 remarked,

The finance policy is a document that many of us have never even seen, so I wouldn’t even be able to answer that question. I hear about it, but I don’t know what it is.

One should be reminded that the SGBs' oversight functions hinge on monitoring and controlling budgets, thus the contents of the finance policy regarding monitoring and control of budgets must be stated clearly and unambiguously.
7.2 Theme 2: Lack of training and support from provincial departments of education

Some SGBs seemed to manage budget monitoring and control effectively. This could be attributed to well-informed, skilled, and experienced SGB and finance committee members. However, this is not true of all schools. As alluded to in Theme 1, there are many who lack the necessary financial knowledge and skills, and this results in them making poor financial decisions.

According to the South African Schools Act, the DoE must offer training to newly elected SGB members for school governance. However, anecdotal evidence suggests that financial training is rarely provided. Instead, the DoE mainly holds meetings to inform SGBs of new legislation and policies. This lack of training has severe implications for effective financial management and accountability. Managing finances requires specialised skills and knowledge, as PA4 points out:

... I would like to ask is that uhm, there should be regular workshops or the GDE should regularly issue the SGB with ahh tools to maintain, to have good financial status at school. Because most of the time ... it happens that there should be one workshop concerning the budget and people don’t really implement or at the same time you find that SGBs members change positions or maybe somebody has left the SGB then they have to co-opt somebody else. Like me, I’ve just been introduced to the SGB this term ... so I would ask for more workshops and regularly reminding of the SGB as to how to go about doing things [PA4, S4, L209].

From these responses it becomes evident that budget training and support for SGBs is a challenging aspect, possibly contributing to their substandard performance. Participants acknowledge the importance of addressing financial literacy to enhance budget monitoring and control. As per Section 19 (1a and 1b) of the Schools Act (RSA, 1996), the Head of Department is responsible for establishing programmes to provide introductory training to new SGB members, enabling them to fulfil their functions. Insufficient training hampers SGBs' budget management and a lack of financial knowledge and skills impedes effective budget monitoring and control, elevating the risk of poor financial decisions (Dwangu & Mahlangu, 2021).

Clarke (2007: 278) also highlights the lack of training as a major challenge for principals and SGBs in performing financial responsibilities effectively. This challenge can be related to the CHAT theory, which explains how SGB members struggle to access the knowledge and actions needed for effective budget oversight. Understanding the importance of knowledge in their work system is crucial for SGBs to grow and improve their oversight functions. Workshops and training play a significant role in achieving these objectives and outcomes (Trust, 2017: 98).

7.3 Theme 3: Mechanisms to monitor and control budgets

This theme focuses on the implementation of the budget and the importance of instituting measures to monitor budgets during the execution stage of budgeting. Essentially, budgets are made up of two components: projected income and projected expenditure. The oversight functions require SGBs to monitor and control budgets to ensure that all projected sources of funds (e.g. school fees, donations, sponsorships, fundraising) are collected and all proposed expenditure is settled according to the finance policy.
7.3.1 Finance policy as a monitoring and control tool to manage budgets

The finance policy must specify the process for collecting funds and issuing receipts from parents, donors, sponsors, and fundraising. All funds should be deposited intact into the school’s bank account. Expenditure requires stringent procedures, including completing the ‘Authorisation for Expenditure Form’ with valid attachments and approvals from the principal, treasurer, and SGB chairperson. The finance policy warrants the SGB to adhere strictly to processes as part of their oversight function. To monitor and control school finances, SGBs can implement regular internal auditing, gather feedback from finance committees, and review financial reports. Internal auditors should monitor payment authorisation forms and budget variance analyses. Frequent reviews and strict implementation of the cash management process are essential parts of SGBs’ oversight functions.

7.3.2 Variance analyses and budget monitoring and control

When participants were referred to a Variance Analysis, many acknowledged that it was the first time they heard of this concept. It was clear that SGBs were unable to determine any over- or under-spending against the budget. For instance, TS1 expressed that variances are not checked and analysed at her school:

… like I said, there was huge amounts [in the budget] and there was no plan to say that if we’re not utilising this amount, um, or if we, overspend, what’s plan B to deal with underspending or overspending.

This treasurer clearly implied that huge amounts were spent on procuring educational items, but no one took charge of whether items procured were budgeted for. Thus, they had no clue whether there was any overspending of funds and to take the necessary corrective action to curb overspending of budgets.

Variance Analysis seeks to establish if there is an overspending or underspending on certain cost centres, and what corrective or remedial actions should be taken to discontinue this practice. Participants voiced their concerns that SGBs neglected their oversight functions to match expenditures incurred against the approved budget. Where there is overspending, SGBs should ascertain reasons why expenditure exceeded the budgeted amounts. From these analyses, planned corrective action could be implemented to discontinue these practices. Due to unforeseen circumstances which may be critical, SGBs can be compelled to incur expenditure not budgeted for. In this case, SGBs may consider virement or deviation of funds as a means of utilising available funds of the school. Virement essentially means the transfer of funds from one cost centre (where there is underspending) to another cost centre (where there is overspending). All virements must be approved by the parents (Mestry & Bisschoff, 2009).

One of the main purposes of budget monitoring is to compare the school’s actual income and expenditure against the budgeted income and expenditure to identify weaknesses and take timely corrective action, if necessary. Although one school seems to be doing well in identifying and analysing variances in the budget, the findings indicate that poor budget projections and ineffective budget planning and monitoring are challenges that many schools still face.
Participants expressed varying views regarding budget monitoring and control processes. Some distinctive responses highlighted insights about challenges faced by SGBs. Many participants mentioned that shifting funds from one cost centre to another is a common way of taking corrective action when variances or significant deviations occur. For example, C1 declared,

*The first approach will be a trade-off. If there is a variance, we would trade-off on other things we have planned, so we would spend the money for unplanned urgent expenditure and not on things we actually planned for.*

This seems to be common practice in a school’s attempt to take corrective action in instances where there are significant deviations from budgets. The application of funds from additional fundraising initiatives allows schools to address overspending. Although many participants view fundraising to supplement school funds and correct budget variances, it is not an acceptable practice according to budgeting principles. Budgets are plans with projected income and expenditure, approved by the SGB and parents. Expenditure outside the budget requires parental approval, and unexpected expenses should be handled through virement with stakeholders’ approval.

Findings reveal that SGBs neglect their oversight functions by not taking corrective action when expenditure exceeds income. Such practices are not in the best interests of schools, as they deviate from the budget’s intended course (Naidoo, 2005: 39).

8. Conclusion and recommendations

This study highlights the oversight functions of SGBs in the management of school finances. Since SGBs are accountable for school finances, they are required to develop and implement mechanisms to monitor and control budgets effectively. Mechanisms such as the Variance Statement, internal and external auditing, and management of incoming funds and expenditures are crucial to manage budgets. Three themes emanated from the study:

- Lack of financial knowledge and skills to monitor budgets: SGBs members of some schools lacked the necessary knowledge and skills to make crucial financial decisions, and this exacerbates the problem to effectively manage budgets.
- SGBs receive very little or no support from the PDoE.
- Mechanisms to monitor and control budgets: Unquestionably, a well-conceptualised finance policy must integrate mechanisms to monitor and control budgets so that school goals can be attained.

It is crucial for SGBs to improve their knowledge and skills to realise their oversight functions. We recommend that SGBs be provided with intensive training and development in school financial management by PDoE. We advocate that the nucleus of training programmes should accentuate legislation, basic financial management, monitoring and control of budgets and digital literacy. Mechanisms of monitoring and controlling budgets should be put in place to ensure that dishonesty, fraud, and mismanagement are eliminated. Thus, the SGBs’ oversight function hinges on the effective monitoring and control mechanisms of managing budgets which will ensure the good financial standing of schools.

This study contributes to educational theory by contributing to the development of a new body of knowledge related to financial management and accountability. As a practical contribution, this study underscores the critical significance of budget planning and emphasises the vital role of budget monitoring and control in the effective financial management of schools.
References


