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*Research article*

# The functionality of finance committees in no-fee schools of Limpopo province, South Africa

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**Abstract:** This article used qualitative research method to arrive at an in-depth understanding of the functionality of financial committees in schools as required by the Department of Education. Data was collected through semi-structured interviews and document analysis with principals, finance officers, chairpersons, and treasures. Content analysis was used to analyse the data. The findings revealed that there are no finance committees and financial policies in schools. In case where there is financial committee it was not operating as expected as members were working individually and not collectively. This was attributed to a lack of knowledge on policy and legislation for financial management. The study recommends that the school which does not have the finance committee should establish such a committee as matter of urgency because it is mandated by the policy. Circuit officials charged with school governance must enforce the policy and legislative mandates relating to financial management by helping the schools in the formulation of such committee. Members of finance committee must be thoroughly trained to execute their functions as it is evident that they are not performing their functions accordingly. The study further recommends that parent members serving on the finance committees must be paid a stipend as it was evident that some of them value their livelihood more than participating in the committee.

**Keywords:** accountability; financial management; school governing bodies; finance committees

**JEL Codes:** I

## 1. Introduction and background

Countries worldwide, including South Africa, are struggling with serious challenges of financial management at school level. It is therefore vital that the school governing bodies (SGB) through its finance committee to fully understand the policies related to financial management as the lack thereof will put the SGBs under tremendous pressure. Nkosi (2011) reveals that an understanding of these policies and their applications by all the stakeholders of the school remains a serious challenge particularly on the area of financial management. Together with the limited knowledge and skills of the SGBs (Mestry, 2004), the administration and management of school finances have left numerous schools with financial difficulties. In the light of this, this article presents research report that investigated the functionality of finance committees in the management of school finances of no-fee schools in Limpopo Province, South Africa.

## 2. Problem statement and research questions

Principals or head teachers, school governing boards or bodies and administrative officials are engaged in various corrupt activities due to factors such as incompetence or omission of duties, dis-regard of prescripts/policies and non-compliance, and poor internal controls that predominate the functioning of finance committees in schools. With this in mind, the research question was postulated as follows: How are the finance committees functioning according to policy and legislative frameworks in no fee schools of the Limpopo Province? To answer the question, we (researchers) examined the perceptions and experiences of principals, finance officers, chairpersons and school treasures being finance committee members on how they perform their financial functions in schools. To examine perceptions and experiences of identified finance members warranted the review of relevant and appropriate literature to better understand school governance and key concepts that are mainly linked to school finance committee.

## 3. Finance committees in South African schools

In accordance with SASA section 30(1), the SGBs may establish committees, including an executive committee and a finance committee. It is therefore mandatory for each school to have a finance committee. This trend is not unique to South Africa as, in the charter schools in England, the main governing body (akin to the SGB in the South African context) may delegate its financial management responsibility to a finance sub-committee, which must then provide a detailed report to the full governing body (Fitzgerald & Drake, 2013). Finance committee serves as an advisory body to the governing body on issues of finances and should as well serve as a bid adjudication committee that recommend the appointment of service providers to the procurement committee (Prescripts for Financial Management of Schools Funds in Public Schools, 2011). In addition, it must ensure that proper financial records of all income and expenditure are kept in accordance with governmental instructions and regulations.

The finance committee should include the following as members, namely, the principal, the SGB chairperson, a treasurer and a finance officer. However, in the interests of meaningful stakeholder representation, the finance committee usually includes the principal, the deputy principal or Head of Department (HoD) (school based), the chairperson of the SGB, the SGB treasurer, the finance officer, two members of the management council, two parents who are not members of the council and one elected teacher (Uwizeyimana & Moabelo, 2013). The number of members should not exceed nine and members from the parent component must be in the majority.

The SGB chairperson and the treasurer are parents who are elected by the parents in parents meeting after the general election of SGB parent component while the finance officer is usually a teacher appointed by the principal as being delegated by the SGB. For technical knowledge the SGBs may appoint people who are not members of the SGB to this committee on the grounds of their expertise in a field, such as a financial expert to manage financial matters (Mestry, 2004). The functions of the committee members are as follows (Prescripts, 2006; Regulations for Management of Finances, 2014; Circular 22 of 2002):

(a) The principal, as the accounting officer of the school as well as an ex-officio governing body member, is an essential member of the finance committee. The principal must ensure that the finance policy is implemented and that the entire governing body fulfils its financial functions by observing all statutory provisions, regulations and departmental instructions.

(b) The chairperson of the SGB serves on the financial committee as an ordinary member of the committee.

(c) The treasurer, in accordance with the prescripts for the management of school funds at public schools, chairs all meetings of the finance committee; formulates a financial policy for the school and ensures both that this financial policy is adhered to at all times and that the budget is effectively and efficiently controlled.

(d) The finance officer is designated to perform the following functions according to the prescripts, namely, makes payments on submission of the proper documentation only; keeps vouchers in a safe for audit purposes; presents all payments and supporting vouchers at the subsequent finance committee meeting; prepares cash-flow statements on a quarterly basis and presents a financial report for ratification at the subsequent SGB meeting.

### *3.1. Financial functions of the finance committee*

Regardless duties of each member of the finance committee as indicated above, the members are required to function more and often as a committee not as individuals. According to Mestry (2004), the functions of the finance committee include, but not limited to, the following: Support the treasurer in carrying out his/her duties; advise on ways of fundraising; advise on ways in which to invest surplus money; advise the governing body on exemptions from school fees; assist the financial officer in the drawing up of the annual financial statements; suggest who should be appointed as an auditor; Maintain overall control of the school money; draw up the budget each year, monitor its implementation and control finances; approve all expenditure.

### 3.1.1. Procurement of goods and/or services

There are strict conditions on the usage of recurrent cost allocated to each school. These conditions must be followed by the finance committee when spending their allocations. According to the Prescripts, the spending of finance in schools must be in line with following guide 17% on administration (that is; equipment in the office and telephones), 60% on curriculum (that is; machines, stationery), 10% on transport, 8% on sports matters and 5% on ablution (that is; chemicals used in the toilets). Any deviation/s from this breakdown must be accompanied by a request letter before procurement can be made.

The following table (Table 1) indicates the guidelines for the use of direct cost allocations to schools.

**Table 1.** Guidelines for the use of direct and indirect cost allocations to schools.

| 1. Learning and Teaching Support Materials (LTSM) | 2. Services/Repairs/Maintenance |
|---|---|
| Textbooks | Security |
| School stationery | Pest control |
| Office stationery | Travelling (Government rates must apply) |
| Library resources | Electricity/telephone/water |
| Library stationery | Fencing |
| Laboratory equipment and specialised rooms | Sports |

Source: Marishane (2013).

Procurement procedures must involve, inter alia, the finance committee's approval of expenditure/purchase below a certain pre-determined limit (the maximum is R R30 000,00). Any expenditure more than R30 000,00 must first be approved by their respective circuit manager or his/her delegate. In either of the instances the finance committee must obtain three quotations for any expenditure item(s) to choose from.

### 3.1.2. Monitoring and control of finances

The monitoring and control of school funds are daily tasks which entail regular checks of expenditure against the budget. This is a very important activity in the financial management of the school as it enables the finance committee, to take corrective measures should the actual income and expenditure deviate significantly from the projected income and expenditure as indicated in the budget (Mestry & Naidoo, 2009).

Schools through the finance committees must have in place the internal and external control of funds mechanisms. Internally the finance committee may request the SGB to appoint a person to conduct the monitoring on its behalf, for example, the finance officer or else the SGB delegate this responsibility to the SGB treasurer. On the other hand, from a legal point of view the finance committee must ensure that external monitoring is done through auditing as prescribed by SASA (42 and 43) and PFMA 38(a)(i).

Monitoring the usage of funds is an on-going process that continues throughout the year and involves controlling and checking expenditures by means of monthly statements, quarterly statements and the annual report (Kruger, 2011). In short, lack of monitoring and controlling of funds will almost certainly result in the mismanagement of finances, a threat that all schools must strive to avoid at all costs.

#### 3.1.3. Reporting on the use of finances

Financial reporting in the school context implies providing a financial report on how public money has been spent and, as such, it shows how a school is being funded and from which sources. Financial reporting, therefore, provides an opportunity for the school to report to the community, namely, the parents and learners as well as the government, and to account for the way in which it has used the resources provided by the government and earned by the school for the education of the learners (Xaba & Ngubane, 2010). Financial reporting is, thus, important aspects of the management of school finances.

Reporting must be done to the parents as the electorate and to the Department of education as the funding body. Section 43(5) of SASA stipulates that the SGB through its finance committee must submit to the HOD, within six months of the end of each financial year, a copy of the audited financial statements. The purpose of submitting such financial statements to the HOD is to keep him/her informed about the use of funds and to demonstrate accountability. Depending on the school's situation, the following may be used as method/s of reporting on financial matters to the parents: circulars to parents, parent meetings and the school newsletter (Kruger, 2011). Reporting must include, as a minimum requirement, monthly budget variances, monthly income and expenditure to the circuit offices, quarterly income and expenditure and audited annual financial statements to the provincial head office.

### *3.2. School financial policy*

The finance committee must draw up a school financial policy that will control all aspects of the school funds, assets, including all property, as well as cash and it must comply with relevant legislation such as SASA (Mestry, 2004). Mestry (2004) argues that the financial policy must be adopted by all the relevant stakeholders and be implemented accordingly. In addition, it must spell out in legal detail the responsibilities of the parties concerned, whom they account to, and their liabilities, where applicable (Joubert & Prinsloo, 2008). The finance policy must also include a section that indicates how the finances are going to be controlled. This policy must be reviewed on an annual basis (Mestry, 2004; Naidu et al., 2008). It is not possible to overstate the importance of having a written, agreed upon set of financial policies in place. When written procedures facilitate the transparency of all the financial management practices and provide directives for internal control, fiscal management, and reporting systems (Brent & Finnigan, 2008). According to Clarke (2009), one of the main purposes of a school's financial policy is to put in place a system of controls (checks and balances) to ensure that school finances are safeguarded and correctly managed. The purpose of a control system is to minimise opportunities for mismanagement and fraud. In order to minimise, if not avoid fraud, cheating and the theft of school finances the school's financial policy must include the segregation/separation of powers (Mestry, 2004).

Clarke (2009) is of the view that the school financial policy should, as a minimum requirement, include the following: (a) Cash management which includes the safe storage of cash, daily banking (if possible) of monies received, proper accounting records, financial transactions supported by source documents and monthly reconciliations of the cash book with bank statements. (b) Internal controls include internal checks, segregation of duties, internal audits, functional finance committee and establishment of audit committees. (c) Audit trails - the ability to check every stage of any financial transaction. The financial policy of a school is a statutory document that must be kept safe and, in most cases, in the safekeeping of the principal. The accountability, functionality and probity of the finance committee is usually evaluated on the basis of this document (Dibete, 2015). The quality and the implementation compliance of this document is a major indicator of development, progress and the organisational will or desires of any institution as well as the collective efficiency of the committee members. When these functions are executed the finance committee must be mindful of the fact that it must be in line with the necessary policy and legislative framework governing management of finance in both public and private schools.

### 3.2.1. The legal and policy framework in South African schools

In South Africa, by 2015, government had managed to put in place a range of key policies and normative frameworks necessary to promote and support a high standard of professional ethics in public schools. These legislative frameworks depict the role that governing body members and principals play in the management and administration of schools' finances (Rangongo et al., 2016). This article will focus on two: South African Schools Act, Act 84 of 1996 (SASA) and Limpopo Province Financial Management Prescripts Limpopo of 2011.

In terms of SASA, the financial functions of SGB committees are outlined in sections 36 to 43. Primarily these functions are to be carried out by the finance committee for full reporting to the SGB. This article will focus on the following sections of SASA: section 36(1); section 37(1) to (6); section 38; section 42; section 43(1). Section 36(1) of SASA stipulates that the SGB of a public school must take all reasonable measures within its means to supplement the resources supplied by the state in order to improve the quality of education for all learners at the school. This means that the SGB may raise funds to supplement its financial resources. Section 37(1) to (6) of SASA stipulates the responsibilities of SGBs in respect of the monies and assets of the school. The SGB must establish a school fund and administer it in accordance with directions from the HOD. All money received by the school, including voluntary contributions, must be paid into the school fund account. The school fund and all the proceeds thereof, and any other assets of the public school, must be used for educational purposes only.

Section 38 of SASA stipulates that the SGBs of public schools must prepare a budget each year according to the directives determined by the Member of the Executive Council (MEC) of Education and published in a Provincial Gazette. This budget must reflect the estimated income and expenditure of the school for the following year. After approving the budget, the SGB must present the budget to a general meeting for parents within at least 30 days for consideration and approval. The budget must be approved as a working document by the majority of parents present at the meeting through voting. Section 42 of SASA provides that the SGB of a public school must keep records of the funds received and spent by the school and of its assets, liabilities, and financial transactions. At the end of the financial year (which commences on the first day of January and ends on the last day of December (s 44 of SASA)), or not later than three months after this period, the SGB must draw the up an annual financial statement which must be audited or examined in accordance with the guidelines determined by the MEC of Education for auditing purposes. Section 43(1) stipulates that the SGB must appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 (Act No. 80 of 1991), to audit the financial statements referred to in section 42.

The Limpopo Province Financial Management Prescripts Limpopo of 2011 is used by the Limpopo Provincial Government defines prescripts as rules, regulations and standards set for the management and control of school funds in public schools in the province. The prescripts were compiled in order to regulate: the establishment of finance committees; the appointment of finance officers; the functions of finance committee members; and the control and monitoring of school funds.

## 4. Theoretical framework

This article is based on the theory of accountability by Carrington, DeBuse and Lee (2008). The theory describes accountability as a means to ensure that internal policies and procedures are lawful and reflect the best interests of its stakeholders, where organisations act in accordance with their particular governance arrangements (Rangongo et al., 2016). Accountability refers to the process whereby public sector entities, and the individuals within such entities, are responsible for both their clients and their own actions, including their stewardship of public funds and all aspects of their performance and submit themselves to appropriate external scrutiny (Dibete, 2015). As the custodians of public funds, the SGB through its finance committee must be accountable to the Department of Education as the funding body and to the parents, learners and the community as the recipients of the funds. This is usually not the case because of the lack of policies and laws compliance in schools which is an issue of accountability (Dibete & Potokri, 2018). To understand the functionality of finance committees or organisations, the writing of Dubnick and Justice (2004) comes to our (researchers) mind. According to them, compliance with laws and regulations, record keeping, reporting, auditing and oversight are essential ingredients of accountability. Therefore, in agreement with Kruger (2000), and Rangongo et al. (2016), money allocated should be properly handled and accounted for because they do not belong to them—those who are managing the money which in this case is the finance committee.

The theory of accountability exposes the consideration of deficiency of internal control system in financial matters and capital project management (Babatunde & Dandago, 2014). Accordingly, internal control system deficiency has significant negative effects on capital project management in public sector which schools particularly no-fee schools are part of in South Africa. In the light of this, strict compliance with internal control system in the best interest of citizenry is significant and thus recommended in the discussions and understanding of finance committees of schools. Baltaci and Yilmaz (2006) explain that internal control elements reflect locus of controls in the management mode of operations. It requires organisations including schools to institute self -control adjustments as backed by an organisation's structure and effective business process mechanism. The tools that management and financial committees can employ range from ex ante expenditure controls to compliancy checks, inventory controls, recordkeeping, reporting, and monitoring (see Baltaci & Yilmaz, 2006). Baltaci and Yilmaz note further that a contemporary internal control is more than a set of traditional ex ante financial and compliance controls because it is based upon a system of management information, financial regulations; and administrative procedures for assessing different activities. These activities include revenue collection, accounting, and procurement practices; policy and decision-making processes; expenditure effectiveness; and human resource management.

## 5. Ethical considerations and methodology

Permission for the study from which this article reports, was sought in writing from the Limpopo provincial education department, the relevant circuit office and the schools where data were collected. Ethical measures employed included permission and approval from the participants, voluntary participation and informed consent, as well as anonymity and confidentiality. Qualitative research method was adopted for this article. A purposive/judgemental sampling was employed to select participants. With it, the researchers' judgement considered the characteristics that made selected participants the holders of the information required for this article. The main characteristic of these participants is that they are members of the finance committee of sampled schools whom we (researchers) could get rich and in-depth information. Six no-fee schools in the Maraba circuit of the Limpopo Province, South Africa were selected. School principals, chairpersons, treasurers and finance officers were selected from the six schools, thus making a total of 24 participants.

The principals were included in the study because they are the professional heads of school and, therefore, ex-officio members of the SGBs and, as a result, they are accountable for the financial transactions of schools to both the parents and the Department of Education. The treasurer, in accordance with the prescripts for the management of school funds at public schools, chairs all meetings of the finance committee; formulates a financial policy for the school and ensures both that this financial policy is adhered to at all times and that the budget is effectively and efficiently controlled. The finance officer is designated to perform the following functions according to the prescripts, namely, makes payments on submission of the proper documentation only; keeps vouchers in a safe for audit purposes; presents all payments and supporting vouchers at the subsequent finance committee meeting; prepares cash-flow statements on a quarterly basis and presents a financial report for ratification at the subsequent SGB meeting. The chairpersons were selected on the basis that they are the sitting member of each committee in the school. In short, these participants were selected on the basis of being the key holders of the required information because they all deal directly with the finances of the schools on a day to day; month to month and even year to year basis.

Data was generated through interviews and document analysis. In-depth semi-structured interviews with open-ended questions were conducted in order to elicit the views and opinions of the participants regarding the research phenomenon. The interviews were tape-recorded verbatim for analysis purposes using an audio recorder and a personal computer as a back-up. The participants were asked to answer a set of predetermined, open-ended questions. With document analysis, the researchers reviewed and evaluated SGB minute book, finance committee minutes, financial policies, and audited financial statements.

To analysis data, content analysis was deemed appropriate as it allowed the researchers to study the contents of the documents and the transcribed interviews critically. The researchers transcribed the information which had been gathered from the tape recordings and from documents analysis to identify similarities and differences in order to develop codes/themes for the interpretation purposes. When developing these codes/themes from the data the researchers used priori coding (predetermined codes). In other words, the researchers had developed the codes/themes before the actual examination of the data. The following themes as emerged from the literature studies were used: finance committee, availability of school financial policy, finance meetings and minutes, procurement of goods and/or services, monitoring and control of finances and reporting on the use of finances.

The trustworthiness and credibility of the data/findings were achieved through credibility, and dependability. To ensure credibility, the researchers conducted member-checking with the participants. This meant that the researchers returned to the participants to check the accuracy and completeness of the data collected—to ensure that the information collected was not distorted during the data interpretation. Using more than one (i.e., interviews and document analysis) data collection strategy to collect data helped to achieve dependability. This allowed the researchers to triangulate the results obtained from the interviews and the documents analysis. Furthermore, the researchers obtained verbatim statements from the participants during the interviews and quotations from the official documents.

## 6. Presentation of data

### *6.1. School financial policy: availability and operations*

Here, we present and discuss data centred on school financial policy particularly as it concerns the appointment of the finance officer and the availability of financial policy in sampled schools. Finance meetings and minutes is herein also discussed because they are crucial to understanding of the functionality of the finance committee.

According to SASA the SGB must appoint the finance officer in the school. The finance officer(s) may be the teacher in the school or the school administrator (clerk) or a parent who is conversant with the applicable legislation. In case it is not possible for the SGB to appoint such a person(s) the SGB may delegate this responsibility to the principal. The appointment must be done officially through a letter to whoever is appointed. The finance officers agreed that they were indeed appointed by their SGB or principal by letters. The following were their responses:

Finance Officer A: *"The principal and the SGB wrote a letter to me asking me to become the finance officer and I agreed and acknowledged the letter."*

Finance Officer B: "*The SGB appointed me through writing a letter to me."*

Finance Officer C: *"The principal, on behalf of the SGB, wrote a letter to me asking me to become the finance officer of the school and I replied positive."*

From the excerpts above, the appointment of finance officers as members of the finance committee was done legally according to the prescripts and other provincial laws. These finance officers even produced their appointment letters indicating their respective duties.

With regards to school financial policy, SASA compels schools to appoint a finance committee which will formulate a financial policy to ensure that all the financial functions of the school are performed properly (Nyambi, 2005). In this study, schools were requested to produce their finance policy as it is a mandatory policy of the finance committee.

Three schools B, C and D produced their financial policies. This means that these schools understood the importance of such a document. The underlying similarity which the researchers found in the financial policies of these school—B, C and D was that all their policies contained the same contents, an indication that they may have borrowed it from the same source or they combined when drawing it (finance policy). It emerged that schools A, E and F had no working financial policies. This may have meant that these schools were not aware of the importance of this document, that they were not capable of drawing up such a document or that they were ignorant of the fact that all schools are required by law to manage their finances in accordance with a working guideline which, in this case, is a financial policy. The absence of financial policies in these schools may also have indicated that the school principals were managing the schools' finances according to the own understanding of the matter. It is, however, essential that a finance committee be established in every school to provide guidance and direction of the use of school funds. It thus becomes necessary to ascertain whether or not finance meetings are held and minutes taken as finance policy demands.

All the schools in the study failed to produce the minutes of the finance committee meetings as a proof that these committee were operating. Thus, this failure indicated that, despite schools B, C and D having financial policies, those policies were not being implemented. If these committees were effective there would be minutes to indicate that they were sitting and discussing the financial matters of their schools. The lack of minutes is a drawback to such committees as meetings and minutes are some of the criteria that finance committee is judged on. The researchers could, therefore, argue that these committees were in existence only as a token and to comply with regulations, thus simply for the sake of appearing to comply.

### *6.2. Procurement of goods and/or services*

One of the major roles of the finance committee as this study depicts is procurement of goods and services. According to SASA and the Prescripts, the SGB through the finance committee must, when procuring goods for the school work on a minimum of three quotations from different suppliers. Whatever the item/s the schools are purchasing, it must be in accordance with the "guidelines and prescripts for the use of direct and indirect cost school allocations". It was found from the schools in this study that they adhere to this requirement as the following excerpts illustrate:

Principal C: *"We look at the item to be bought by the SGB and seek 3 quotations. Thereafter we choose the suitable one with quality and effect a payment thereafter."*

Principal A: *"SGB sends 2 delegates to source for 3 quotations and then hand them to the finance committee. If a quote is more than R30000, a request to spend funds is asked from the circuit office."*

Principal F: *"In my school the budgets guides me. We look for 3 quotations and then refer them to the finance committee and tell them that I want to buy this and here are the quotations. Then, thereafter, the finance committee will decide and everything which I buy I must get a receipt for it and the means of payment is a cheque unless it is small items where we use the petty cash."*

Similar comment was made by all treasurers as they said: *"We ask for 3 quotations and choose the cheapest one and we must have invoices as a proof of payment"*.

The findings point to the fact that policy is being followed on the three quotations before any procurement of goods/services can be made.

*6.3. Monitoring, control and reporting of finances*

Monitoring the budget is an on-going process that continues throughout the year and involves controlling and checking expenditures by means of monthly statements, quarterly statements, and the annual report (Kruger, 2011). The activity of monitoring and controlling the school finance rests on the treasures and SGB chairpersons as they are the elected component on the SGB. This is to ensure that finances of the schools are indeed decentralised to the community where the school is situated. The treasurers and the chairpersons had the following to say respectively on whether or not do they monitor and/or control their school finances.

Treasurer C: *"No checking of finance books due to the lack of time and this is caused by work related issues."*

Treasurer D: *"I'm not coming to monitor finance books as there is no finance officer and finance committee. Cheques are written and signed by the principal in her own hand writing."*

Treasurer E: *"I do it once in a month because I work as mother helper and I'm at school all the time. So, for me, coming to school to do monitoring is no problem."*

Treasurer F: *"I don't do monitoring and control of school budget as I will be having working commitments."*

Chairperson B: *"I normally come and ask orally about the finance because I cannot read and write well. I personally don't check and monitor the financial documents of the school. I rely on the information given by the teachers. I come and sign when asked to do so."*

Chairperson C: *"I don't monitor financial documents except when we study the audited financial statements. More often than not I just sign."*

Chairperson D: *"I don't come to school to monitor and I don't even know whether it is legal for the chairperson to come and do monitoring of such documents."*

From the extracts it is evident that the chairpersons involved are not doing their part on monitoring and controlling of finances in their schools. Treasurer E is the only one doing monitoring and all others (treasures and chairpersons) not monitoring due to various reasons advanced. According to the Prescripts, the treasurers, and chairpersons as the elected parents to serve on the SGB and ultimately on the finance committee, if they are not performing what is expected of them in the finance committee is a major drawback on monitoring and control of finance.

This paragraph and the next are concerned with reporting on the use of finances. The prescriptions of SASA clearly assign financial reporting to the SGB through finance committee and, as such, make financial reporting a legal requirement (Xaba & Ngubane, 2010). Financial reporting is, therefore, important aspects of the management of school finances. To attest to this important task of the finance committee the following participants had this to say:

Finance officer A: *"After 3 months we read the statement about the usage of funds and the balance to the parents through parents meeting and we submit the financial reports to the circuit office."*

Finance officer C: *"Monthly statement is given to teachers. Parents are called to the meeting to be given the audited financial statements. We photocopy the audited financial statements so that one is given to the parents, one is given to the circuit office and the last one is given to the district office."*

Treasurer A: *"We call a parents' meeting to report to them 4 times a year."*

Treasurer B: *"The SGB calls the parents' meeting to report back on how the funds as allocated were used."*

Treasurer E: *"We call a parents' meeting anytime when it is necessary."*

Chairperson E: *"SGB sets a date to call a meeting of parents at the school to show them how the funds were spent for the financial year."*

Chairperson C: *"We call the general parents' meeting to indicate to them how the money was spent and for which items. This is done in March after the finance books have been audited."*

From the extracts above it was found that although the finance committee are there by name reporting on the usage of funds was done to the relevant stakeholders. This was done through parents meeting convened according to the circumstances of each school. The understanding here is that if the finance committee cannot report back to the stakeholders, the Department of education will withhold the following year's allocations to the school. This then made reporting a crucial aspect of the finance committee because the Department want the school to submit the audited financial statements for the previous year. To the Department of education, the schools were submitting the audited financial statement at the beginning of the following year.

## 7. Discussion of the findings and interpretations

At the onset of this article, the researchers made it clear that the article aim to answer the research question: How are the finance committees functioning according to policy and legislative frameworks in no fee schools of the Limpopo Province? For this reason, the discussion of the findings is presented according to key themes that emerged to clearly illuminate the functionality of the committee.

### *7.1. Finance committee*

In order to manage school funds effectively, the SGB should delegate the day to day financial management to the finance committee (Dibete & Potokri, 2018). The establishment of a school finance committee indicates that the SGB understand the importance of a finance committee.

Four out of six schools that participated in the study did not have finance committees although each school had all the persons that can constitute such a committee. In the school with finance committees, the formation of this committee differed from school to school in terms of its composition. Circular 22 of 2002, Prescripts (2011), Moabelo and Uweyizamana (2011) indicate that there must be nine members serving on the finance committee and that parents must be in the majority. Although the SASA does not specify the number of members on this committee it does indicate that, in every committee established in a school, the parents must be in the majority. The study found that the schools in the sample had varying numbers of members on this committee and that, in one school, teachers were in the majority. This was contrary to the literature findings and policy mandates. However, the study also found that the finance committees in the schools were not as effective as they ought to have been. Even though four schools did not have the finance committee they still managed to procure goods/services.

### 7.2. *Availability of school financial policy*

Four of the six schools in the study were found to be operating without a sound financial policy. According to Selesho and Mxuma (2012), there is a need for a sound financial policy if schools are to manage their finances effectively and efficiently as such a policy will provide guidelines on crucial aspects of handling finances, for example, who banks the monies and when; who audits the books; who heads the finance committee and who the finance members are. Without this policy principal may collude with the finance officers who are all educators, and the treasure will be called to sign cheques as "emergency" because the policy will indicate when to pay and how to do such a payment. Moreover, without such a policy everyone particularly the principal will work according his/her interest and preferences with the money that does not belong to him/her.

The unavailability of finance policy may mean that these schools were not aware of the importance of this document, that they were not capable of drawing up such a document or that they were ignorant of the fact that all schools are required by law to manage their finances in accordance with a working guideline which, in this case, is a financial policy. The absence of financial policies in these schools may also have indicated that the school principals were managing the schools' finances according to the own understanding of the matter. It is, however, essential that a finance committee be established in every school to provide guidance and direction of the use of school funds.

### 7.3. *Minutes of the finance committee*

Not one of the schools were able to produce any minutes of finance committee meetings and neither was there any evidence of the finance committees reporting to the SGB despite the recommendations in the literature (Prescripts, 2011). This is therefore a drawback of these committees as it appears they were not holding meetings and, thus, commitment, discussion and reporting of financial matters are questionable. This is, therefore, a concern in terms of financial legislation and policy.

### 7.4. *Procurement of goods and/or services*

Although the schools were claiming to be following the policy on the requirement of three quotations before any procurement of goods/services can be made, they were unable to provide such documents (invoices) on request. The only invoices that existed were those of the items bought e.g. one invoice for the computer if they bought the computer (the researchers wanted to get three as the policy suggests). This failure could mean that these members of the finance committee are not truthful and as a result only wanting to be seen as complying with the policy mandates. This could result in a dire consequence for audit purposes for the schools.

### 7.5. *Monitoring and control of finances*

There are mixed reactions from the treasures as one treasurer is doing monitoring and all others not monitoring due to various reasons advanced. According to the Prescripts, the treasurers as the elected parents to serve on the SGB and ultimately on the finance committee as the chairpersons of the finance committee, is drawback on monitoring and control of finance. This corroborates the study conducted by Rangongo et al. (2016) on the causes of financial mismanagement in South African public schools which found that monitoring and control of finances is one of the causes to financial mismanagement because of non-adherence to the school budgets, lack of finance policies in schools etc.

### *7.6. Reporting on the use of finances*

This article reveals that sampled schools, through their finance committees and SGBs, reported their financial status to the school stakeholders. The method that the schools used was that of calling parents to meetings. In agreement with Kgetjepe (2011), it represents the most important form of accountability on the part of finance committees and SGBs. It emerged from the interviews with the treasures that the main reason for holding parents' meeting was that the majority of parents are not able to read and write. The number of times such meetings were held varied according to the needs of the individual schools, for example, it was found that some of the schools reported to their stakeholders twice a year, once a year or any time when they deem it necessary.

Not only must reporting be done to the parents as stakeholders but also to the Department of Education (DoE). The study found that the schools in the sample reported to the DoE about how monies were spent through the submission of monthly and quarterly financial returns and audited financial statements. Submissions happened once every term in accordance with SASA, the Prescripts and Circular 22 whereas the audited financial statements were submitted once a year in February/March of the following financial year. Section 43(5) of SASA stipulates that the SGBs, through the principals, must submit the audited financial statements to the HOD within six months of the end of each financial year.

## 8. Conclusions and recommendations

It is the responsibility of the SGB to ensure that their schools abide by the rules and regulations governing the formation of all committees of which the finance committee is one of them. Finance committee as evidently shown in this article is the most fundamental committees of SGB in any school. Failure by the schools to have it is a breach of the policy and legislative mandates of the Department of education to schools. Its existence in the school must not only be a token but it must be allowed to fulfil its mandates and tasks without any hindrances from whatever the source. For it to exist and not perform its duties is tantamount to it been not there because it must not only exist for policy compliance. Although all the sampled schools claimed to have the finance committee, it was found that the committee was not functioning the way it should, thus dysfunctional as all members were found to be working as individuals and not a collective. This article recommends that the school which does not have the finance committee should establish such a committee as matter of urgency because it is mandated by the policy (SASA). Circuit officials charged with school governance must enforce the policy and legislative mandates relating to financial management by helping the schools in the formulation of such committee and how to draft finance policy. Members of finance committee must be thoroughly trained to execute their functions as it is evident that they are not performing their functions accordingly. The article further recommends that parent members serving on the SGBs must be paid a stipend as it was evident that some of them value their livelihood more than participating in committees as the case of finance committee herein reveals. While the findings and recommendations that emerged from this article remain valuable to scholarship within the domain of education finance and leadership, we (researchers) note that the limitation of this article is the impossibility of generalising its findings. Being a qualitative based or oriented article, the findings cannot be generalised because of the small size of the research participants. Nonetheless, the value remains relevant for future research because the article from the onset was not aimed at generalisation but to answer the research question. In the light of this, similar or related research for the future should target the use of research approach and design that is different from the one used in this article and as well consider the conduct of research in a research context that is different from the one which this article is drawn from.

## Conflict of interest

The authors declare no conflicts of interest in this paper.

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