

Assessing the Internal Financial Control Measures in Selected Secondary Schools in South Africa: The Challenges and Implications



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ABSTRACT

This empirical paper reports on the internal financial control measures in South African Secondary schools. The study's objective was to determine how School Governing Bodies, through the finance committee, manage school finances. The data was generated using semi-structured interviews with 4 SGB members who were purposively sampled. The participants were part of the finance committee members from the participating schools at the uMgungundlovu Education District. The research findings revealed: (1) Segregation of duties and poor record keeping. (2) The SGB members reported diverse views on the keeping of records of cash inflows and cash outflows. (3) Parental access to the financial statement of the school. This was triggered by the difficult language used by the SGB finance committee. There is no transparency on the usage and reporting of school financial matters. (4) a lack of training of SGB members, especially on the financial management of school funds. Based on the findings, the paper deduces that there must be proper training of SGB members on school financial management. This study recommends the need for monitoring and training finance committee members on school financial management. The study also recommends that the Department of Basic Education should have financial training manuals written in 12 official languages. The submission of financial statements should be done via the links provided by DBE, and the treasurer should be the one submitting financial statements to avoid dictatorship from principals. The paper contributed to the scholarship of financial management, especially regarding the role of SGBs in schools.

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INTRODUCTION

South African schools are faced with mismanagement of funds, as reported by Corruption Watch.¹ The circular M3 of 2017 from the Department of Basic Education (DBE) affirms that 37% of allegations were related to mismanagement of school funds.² Furthermore, the cause of mismanagement of school funds is

¹ Corruption Watch, "Annual Report 2014 – Corruption Is Growing," February 19, 2015, <http://www.corruptionwatch.org.za/annual-report-2014-corruption-is-growing/>.

² Department of Basic Education South Africa (DBE), "Circular M3 of 2017. Measure to Strengthen Compliance of Section 42 and 43 of the South Africa School Acts," 2017, <https://www.education.gov.za/Portals/0/Documents/Publications/CIRCULAR M3 FINAL.pfd?ver=2017-11-15-101823-720>.

the lack of proper internal control that does not comply with the South African School Act (SASA).³ Internal control is the cornerstone of school development, in promoting effective and efficient management by all stakeholders.⁴ From a global perspective, countries such as Australia, Switzerland, and the United Kingdom are using similar systems to manage public school funds. The same practice is also evident in South Africa, whereby finance committees are responsible for internal control of school funds.⁵ The SGBs play a pivotal role in the administration of schools. This correlates with the study conducted by Hough and Gluck, which reported that there is a lack of skills, resources, monitoring systems, and auditing systems is a challenge across Australia, Switzerland, the United Kingdom and South Africa.⁶

In the South African context, the educational reforms have focused on access, equity, quality, and democracy. The state has made great strides in addressing inequality and past imbalances in education, such as the post-proximity norms, rationalization and redeployment of teachers and non-teaching staff, and management of public-school fees. More is needed concerning the management of school funds. The functioning of the School Governing Body (SGB) and national norms and standards for school funding (NNSSF), as well as acceptable interventions, are good achievements, clear internal financial control in schools is not well articulated in sections 34 and 35. In addition, these sections of the South African Schools Act (SASA) mandate the state to redress historical imbalances in terms of financial control and attempt to restructure the South African education landscape. However, clear and uniform financial guidelines are a challenge in South African schools. As stated in section 34 of the SASA, the state should fund public schools from public revenue and provide clear financial guidelines. Furthermore, section 35 of SASA stipulates that the state should carry out the responsibility described in section 34, and currently, they are in inconsistency in the internal control measures put in place by DBE. In contrast to this, inequalities in resource allocation from the state have been removed, but inequalities persist for several reasons. For example, the inability of parents to understand financial statements and financial terminology leads to a lack of capacity within the SGBs, as they are responsible for school funds. Hence, proper training of SGBs is paramount.

The finance committee has guidelines to follow and adhere to when preparing financial statements and reporting to the Department of Basic Education. In addition, the following guidelines were developed by the Members of the Executive committees (MECs) for education in various provinces in South Africa. These guidelines serve as internal control for schools. However, the reports of a lack of internal control measures, misappropriation, and maladministration in South African schools are a challenge.⁷ With all financial guidelines in place, cases of mismanagement of school funds are reported.⁸ Hence, the objective of this study is to assess the internal financial control measures in selected secondary schools in South Africa. Furthermore, the current gap that this study wants to fill revolves around the use of different internal control guidelines in South African schools. This study calls for uniform internal control guidelines that can be used in South African schools. In addition, the call for vigorous internal financial control measures is supported by Aina and Bipath.⁹ Ngcobo has stated that using different guidelines may contribute to the failure of internal control and the level of understanding of SGBs in South African public

³ Martin Okoth Odide, "Financial Resource Management and Its Influence on Students Academic Performance in Public Secondary Schools In Langata Sub-County, Nairobi County-Kenya," *International Journal of Scientific Research and Management* 9, no. 11 (November 30, 2021): 2658–2737, <https://doi.org/10.18535/ijstrm/v9i11.em13.;>

⁴ Abayomi Olu Sofoluwe, "Innovative Strategies for Financial Management in Nigerian Public Secondary Schools.," *Online Submission*, 2012.

⁵ Odide, "Financial Resource Management and Its Influence on Students Academic Performance in Public Secondary Schools In Langata Sub-County, Nairobi County-Kenya."

⁶ Alexander R Hough and Kevin A Gluck, "The Understanding Problem in Cognitive Science," *Advances in Cognitive Systems* 8 (2019): 13–32.

⁷ Corruption Watch, "Annual Report 2021 – Corruption Is Growing," February 19, 2021, <http://www.corruptionwatch.org.za/annual-report-2014-corruption-is-growing/>.

⁸ Department of Basic Education South Africa (DBE), "Circular M3 of 2017. Measure to Strengthen Compliance of Section 42 and 43 of the South Africa School Acts."

⁹ Adebunmi Yetunde Aina and Keshni Bipath, "School Financial Management: Insights for Decision Making in Public Primary Schools," *South African Journal of Education* 40, no. 4 (November 30, 2020): 1–9, <https://doi.org/10.15700/saje.v40n4a1756.>

schools.¹⁰ The objective of the paper is, therefore, to assess the internal control measures in selected secondary schools in South Africa.

LITERATURE REVIEW

The South African School Act 84 (1996) (SASA) provides the discretion of the SGBs and members of the Executive Committees of education for each province to make their financial guidelines. In practice, these guidelines are not consistently followed, and most schools' financials are prepared according to either ordinary Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) for Small and Medium Enterprise (SMEs) or, in a few cases, an entity-specific framework.¹¹ The governing bodies have a choice in this regard, but it is important that a framework be chosen prior to engagement with a school financial statement auditor.¹² The framework for preparing annual financial statements is IFRS or IFRS for SMEs, based on the historical cost and accrual concepts, which were appropriate.

In addition, the relevant documents should be provided by schools, which include Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement, and any other statements that are prescribed by the Accounting Standards Board (ASB). The SGB should ensure that the financial records are transparent and audited. The financial statements should be available for inspection by the audit committee. According to Yasin and Mokhtar, there should be good communication between the SGB and the Department of Basic Education.¹³ The SGBs promote efficiency and effective reporting to the DBE. These are the fundamentals through which schools and SGBs should be operating. If all schools can adhere to this framework and execute their duties effectively as stipulated, this can mitigate maladministration in South African schools. The following figure A.1 shows the accounting framework to guide the finance committee in preparing the financial statements.



Figure A.1. Accounting Framework
Source: DBE¹⁴

¹⁰ Sanele Ngcobo, "Exploring the Level of Understanding by Governing Body about Financial Reporting," *International Journal of Research in Business and Social Science* (2147- 4478) 13, no. 3 (June 1, 2024): 419–26, <https://doi.org/10.20525/ijrbs.v13i3.3127>.

¹¹ Ngcobo, "Exploring the Level of Understanding by Governing Body about Financial Reporting"; Aina and Bipath, "School Financial Management: Insights for Decision Making in Public Primary Schools."

¹² Lesley Anderson and Jacky Lumby, *Managing Finance and External Relations in South African Schools* (OECD Publishing, 2005), <https://doi.org/10.14217/9781848598362-en>; Kholeka Moloi, "An Overview of Education Management in South Africa," *South African Journal of Education*, 2007, 463–76.

¹³ Herliana Yasin and Mahani Mokhtar, "Practices of Accountability and Transparency in Financial Management among Secondary School Principals," *International Journal of Academic Research in Business and Social Sciences* 12, no. 9 (September 6, 2022), <https://doi.org/10.6007/IJARBS/v12-i9/14803>.

¹⁴ Department of Basic Education South Africa (DBE), "Circular M3 of 2017. Measure to Strengthen Compliance of Section 42 and 43 of the South Africa School Acts."

In addition, the financial reporting guidelines were developed collectively between the Department of Basic Education (DBE) and the South African Institute of Chartered Accountants (SAICA). As reported by Basson and Mestry, the SGBs should have a clear understanding of financial reporting guidelines, preparing and collecting the required information to comply with the reporting standard.¹⁵ Furthermore, the following figure A.2. shows the financial reporting framework used by governing bodies. The SGB has financial responsibilities to administer and manage the funds of the school using a single banking account, maintain accounting and financial records, prepare and present an annual budget at the parents 'meeting, and draft and submit audited annual financial statements within 3 months of the year-end.



Figure A.2. Reporting Framework
Source: DBE, 2017

These principles are in the existing accounting standards, such as the Generally Recognised Accounting Practice (GRAP). The current reporting guidelines state the documents that must be submitted to the DBE by governing bodies. There is a missing element from the current reporting framework, which is the internal control measures. In addition, the above current framework does not address the reporting from SGBs to the independent auditor. Furthermore, it is not effective and efficient in addressing accountability and transparency. Hence, the researchers propose the improvement of internal control measures in South African Schools. Transparency International reported that worldwide public schools are faced with the problem of maladministration and a lack of a proper reporting mechanism.¹⁶ The researcher shares the view that there is a need for proper internal control in assisting the governing bodies. In contrast, the research done by Okon and Akpan in Nigeria revealed that there is improper use of financial control measures by principals.¹⁷ In addition, research done by Nwafukwa and Sunday in Kenya revealed that public school financial reporting is controlled by the Accountants Act, 2008.¹⁸ The Accountants Act, 2008, provides for the examination of financial statements of public schools by the

¹⁵ Philip Basson and Raj Mestry, "Collaboration between School Management Teams and Governing Bodies in Effectively Managing Public Primary School Finances," *South African Journal of Education* 39, no. 2 (May 31, 2019): 1–11, <https://doi.org/10.15700/saje.v39n2a1688>.

¹⁶ Transparency International, "Daily Lives and Corruption: Public Opinion in Luxembourg," *Global Corruption Barometer* (Berlin: Transparency International, 2013), <http://www.transparency.lu/wpcontent/uploads/2013/07/Luxembourg-GCB-2013-country-report-9.7.2013.pdf>.

¹⁷ Francis I Okon and Ezekiel O Akpan, "Financial Control Measures and the Enhancement of Administrative Effectiveness of Principals in Secondary Schools in Akwa Ibom State, Nigeria," *LWATI: A Journal of Contemporary Research* 8, no. 4 (2011).

¹⁸ P O Nwafukwa and A N Sunday, "Financial Management Skills Required of Principals for the Implementation of the Universal Basic Education Programme in Junior Secondary Schools in Ebonyi State of Nigeria," *International Journal of Education, Learning and Development* 3, no. 5 (2015): 31–37.

Institute of Certified Public Accountants. Financial management skills required of principals in Ebonyi State, Nigeria, revealed similar findings, that principals lack financial management skills and internal control.¹⁹

The study by Okon and Akpan is relevant to this study for this reason: South African public schools are faced with similar challenges. It has been found that inadequate documentation, reporting and accountability are a problem.²⁰ According to Mobegi, about 47 cases of financial mismanagement were reported in Gucha District (Kenya) between 2008 and 2010.²¹ In developing countries in Africa, such as Nigeria, South Africa, Zimbabwe and Kenya, school financial records are managed by a school clerk.²² The school clerk is required to have a cash receipts journal (CRJ), cash payments journal (CPJ) and petty cash journal (PCJ) to record all financial matters pertaining to the inflow and outflow of cash. Cases of financial impropriety are often reported in most schools.

In the United States of America (Florida), on the other hand, public schools are called charter schools. Charter schools operate like public schools in South Africa. They, however, manage their funds and are required to prepare financial statements. In the United States of America, financial reporting was introduced to assist the charter schools. The advent of financial reporting and reporting standards is in line with the Office of Program Policy Analysis and Government Accountability.

From an international perspective, the study evaluates the challenges to sound financial reporting and the role played by SGBs in the international arena, looking into developed and developing countries such as New Zealand, Germany, England, and Nigeria. The reason for choosing these countries is based on the financial framework they are using to manage public schools' funds. Furthermore, the power and responsibilities for managing school funds lie with principals and SGBs. In addition, one of the major responsibilities of the SGB is the management of the school budget.²³ The SGBs are required to furnish parents with an annual report detailing their work during the year, and to hold an annual parent meeting to discuss it. Worldwide, the SGBs play a pivotal role in administering school funds. According to Magak, the power and responsibilities given to SGB and the principal are because the Department of Education globally lacks skills, resources, monitoring systems, and auditing systems.²⁴ Furthermore, the literature review by Sebidi et al. shows that there are challenges faced by the SGBs with regard to managing the school funds.²⁵ The DBE reports on the lack of transparency from top-level to low-level.²⁶

THEORETICAL FRAMEWORK

This study adopted Carrington et al. governance and accountability theory.²⁷ They describe accountability to ensure that internal policies and procedures are followed in the best interest of the stakeholders. In addition, whatever financial action is taken by the SGBs should be accountable for the administration of funds. As far back as Bisschoff and Raj Mestry agreed that accountability can be used as a controlling mechanism to prevent maladministration in schools.²⁸ All the records of the school must be done in an

¹⁹ Okon and Akpan, "Financial Control Measures and the Enhancement of Administrative Effectiveness of Principals in Secondary Schools in Akwa Ibom State, Nigeria."

²⁰ Sanele Ngcobo and Sithembele Goodman Ndovela, "Evaluating Financial Reporting Guidelines in South African Public Schools," *International Journal of Research in Business and Social Science* (2147- 4478) 13, no. 5 (August 20, 2024): 633–42, <https://doi.org/10.20525/ijrbs.v13i5.3332>; Nwafukwa and Sunday, "Financial Management Skills Required of Principals for the Implementation of the Universal Basic Education Programme in Junior Secondary Schools in Ebonyi State of Nigeria."

²¹ Florence Osiri Mobegi, "Perceptions of Educational Stakeholders Regarding the Effects of Financial Mismanagement on Physical Facilities in Secondary Schools In Gucha District, Kenya," *International Journal of Social Science and Economics Invention* 1, no. 03 (September 25, 2015), <https://doi.org/10.23958/ijsssei/vol01-i03/01>.

²² Ndwamato Ndou and N.M.M. Mbunyuza de-Heer Menlah, "The Management of Finances by School Governing Bodies," *Journal of Social Sciences* 43, no. 2 (May 11, 2015): 153–59, <https://doi.org/10.1080/09718923.2015.11893432>.

²³ M N Munge, Elijah M Kimani, and D G Ngugi, "Factors Influencing Financial Management in Public Secondary Schools in Nakuru County, Kenya," 2016.

²⁴ Erick Ochieng Magak, "Challenges Facing Head Teachers In Financial Management In Public Secondary Schools: A Case Of Kisumu East District Kenya." (University of Nairobi, 2013).

²⁵ Simon Diatleng Sebidi, Adebunmi Yetunde Aina, and Ephraim Matala Kgwete, "Auditing Public Schools' Financial Records: A Study of Financial Management from the Eyes of Relevant Stakeholders," *Perspectives in Education* 41, no. 4 (February 23, 2023): 237–51, <https://doi.org/10.32388/BW945B>.

²⁶ Department of Basic Education South Africa (DBE), "Circular M3 of 2017. Measure to Strengthen Compliance of Section 42 and 43 of the South Africa School Acts."

²⁷ Wesley Carrington, Jim DeBuse, and Heejin Lee, "The Theory of Governance and Accountability," *University of Iowa Center for International Finance and Development*, 2008.

²⁸ T C Bisschoff and Bisschoff Raj Mestry, *Financial School Management Explained* (Pearson South Africa, 2009).

open manner by the finance committee; there must be no hidden agenda within the committee, and the transaction of funds must be traceable. The responsibility of the SGB must be to keep all the records for auditing.²⁹ In a similar vein, as far back as Tetlock states that accountability theory involves cooperative participation of all key stakeholders in school management, place concrete foundation for short-term and long-term development in public schools, good governance is the cornerstone of quality education, and tangible and intangible assets are used in the best interest of students, teachers and the community.³⁰ To achieve the goals of the school through promoting accountability to the significant stakeholders, such as the principal, SGBs and finance committees, ensure that all the needs of the school are catered for.

METHODOLOGY

The research paradigm adopted for this study is interpretivism, which acknowledges the subjective nature of human experiences and emphasizes the importance of understanding the meanings and interpretations individuals ascribe to their lived experiences.³¹ This research employed a qualitative approach, specifically a phenomenological research design. Phenomenology aims to explore the lived experiences and perceptions of individuals regarding a particular phenomenon.³² A phenomenological approach allows for an in-depth exploration of governing bodies' subjective experiences, providing rich, descriptive data to understand the nuances of their preferences.

A purposive sampling method was used to select schools and participants. The study was conducted in two secondary schools in the Umgungundlovu education district. The schools were chosen purposively. These schools were reported to be involved in maladministration and mismanagement of school funds. The participants for this research consist of 4 SGB members who served on SGB committees of the participating schools, who are experienced and directly affected by the research problem. The data was generated using individual Semi-structured interviews. Semi-structured interviews allowed for flexibility in exploring participants' experiences and perceptions in-depth, as reported by Creswell and Plano Clark.³³

Thematic analysis was employed to analyse the qualitative data obtained from interviews and focus group discussions. Thematic analysis involves identifying patterns, themes, and categories within the data, allowing for the interpretation of participants' experiences and perspectives regarding internal control at the uMgungundlovu district.³⁴ The analysis process involves coding the data, identifying recurring themes, and interpreting the findings in relation to the research questions and objectives.

Validity in qualitative research refers to the trustworthiness of the findings, while reliability pertains to the consistency and dependability of the research process and outcomes. Trustworthiness encompasses validity and reliability and is crucial for ensuring the credibility and integrity of qualitative research findings.³⁵ The trustworthiness of the study is ensured through the use of data sources such as different participants and different data generation methods.

All ethical considerations were followed. The names of participants are, therefore, not disclosed. Participants were informed that there are no right or wrong answers. The interview sheet indicated that the answers given are all correct and participants are at liberty to write their views. In order to achieve this, the names of the participants and schools that were not used in the study are *pseudonyms* to protect their identities.

²⁹ Joseph M. Kinyanzii, "Influence of Financial Management Practices on the Financial Performance of Public Secondary Schools in Kathiani Sub-County" (2023).

³⁰ Philip E. Tetlock, "Accountability Theory: Mixing Properties of Human Agents With Properties of Social Systems," in *Shared Cognition in Organizations* (Psychology Press, 1999), 117–38, <https://doi.org/10.4324/9781410603227-6>.

³¹ J. W. Creswell and J. D. Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 5th ed. (London: Sage, 2017).

³² Nicholas Walliman, *Research Methods: The Basics* (Routledge, 2021).

³³ John W. Creswell and Vicki L. Plano Clark, "Revisiting Mixed Methods Research Designs Twenty Years Later," in *The Sage Handbook of Mixed Methods Research Design* (1 Oliver's Yard, 55 City Road London EC1Y 1SP : Sage Publications Ltd, 2023), 21–36, <https://doi.org/10.4135/9781529614572.n6>.

³⁴ Virginia Braun and Victoria Clarke, "Using Thematic Analysis in Psychology," *Qualitative Research in Psychology* 3, no. 2 (2006): 77–101; Creswell and Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*.

³⁵ Creswell and Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*.

PRESENTATION OF FINDINGS

This section presents the analysis and interpretation of findings regarding the internal financial control measures in schools in South Africa. After the analysis of research data, the following themes emerged: A) Internal financial control measures, B) recording of inflow and outflow of cash, C) stakeholders' involvement in financial statements, and D) financial control in schools. To protect the identity of the participants, pseudonyms were used.

Internal Financial Control Measures

The data highlighted that SGB members are very incompetent in planning. As a result, there is poor planning, which ultimately affects the finances of schools.

“As SGB members, we lack the required skills to develop annual budgets that align with school goals and priorities. We are supposed to monitor the funds of the school” (SGB One).

The above excerpts suggest that SGB should possess the necessary skills to carry out the duties of managing school finances. However, a lack of the required skills has the potential to lead to the mismanagement of school funds. The budget would assist in achieving the school's goals and priorities. Therefore, the incompetence of SGB triggers the mismanagement of funds. Moreover, SGB One acknowledges that it should be in charge of controlling the utilization of funds. However, due to their incompetence, this becomes unrealistic.

Segregation of Duties

“The principal in our school is the only person who withdraws cash. He then gives us permission to buy anything related to the school. The principal dictates what should be done” (SGB Three)

The findings indicated that there is no segregation of responsibilities in financial processes. This emanated from the fact that the control of bank accounts seems to be the sole responsibility of the school principal. Furthermore, the principal exhibits an autocratic leadership style because things occur the way the school principal wants. This shows that the perspectives of SGB members are hardly acknowledged.

Record Keeping and Documentation

Keeping proper records of financial information of the school is still a challenge in some schools.

“We are using a cash book to record petty cash, but we do not have other records for bigger cash amounts” (SGB Two)

The same sentiments were echoed by the SGB One that the proper records are not kept in the school. He had the following to say:

“In this school, there are no comprehensive and accurate financial records that are maintained for all income and expenditure. This includes receipts, invoices, bank statements, and procurement records” (SGB One)

The findings suggest that there are no formal and proper records of the school. This shows that there is a lack of accountability for how cash has been utilised. However, the SGB only keeps the records for petty cash. This raises a question on how larger cash, such as cash receipts and cash payments, are utilised.

Recording of inflow and outflow of cash

The SGB members share dissimilar views on the record-keeping of the financial affairs of the school. This shows SGB members a diverse understanding of how the school's cash should be recorded. Some SGB members stated that the school clerks record the cash inflows and cash outflows of the school. However, other SGB members indicated that bookkeeping is the sole domain of the school principal.

“The school clerk does the recording of the inflow and outflow of cash. School clerks are utilised as bookkeepers precisely because they are in schools during the school hours” (SGB Two)

The participants emphasised that it is the school principal's responsibility to keep the records of the school.

"Principals are the ones responsible for bookkeeping. This indicated the inconsistency happening in schools. There is no uniformity in recording the school funds. Receipts and proof of payments were not provided as reported by (SGBs one)."

The data show that the bookkeeping of school cash resources is administered differently from school to school. This shows that schools execute financial matters, especially cash, in a different way.

Parental involvement in the school's financial statements

The data show that there is a lack of parental involvement in the school's financial statements. The preparation of school financial statements seems to be the sole responsibility of the school principal. Sometimes, SGB members do not get to see the financial statements of the school. This is what the SGB member said:

"They did not send audited financial records to us during AGM."

The data also indicated that the school principal highlighted that the school obtained an unqualified audit opinion from auditors.

"indicated that they received an unqualified audit report" (Principal A).

The above excerpts show the conflicting views of participants. The ASGB member reveals an uncollaborative working culture that exists among SGB members. On the other hand, the school principal portrays a good image of the financial matters of his school. The school principal used to report incorrect financial information during the parents' meetings.

"During meetings, the reporting we do not practice reporting. It is frustrating to listen to the principal in the parents' meeting telling lies about how we have spent the money" (SGB Two).

The participant indicated that the school principals use difficult language that does not resonate with parents' level of education.

"During the parents' meeting, financial management jargon was used to mislead parents and financial reporting to parents seems just a formality" (SGB Three)

The school principal is of the view that parents lack understanding of the written report.

"Parents do not understand the reports read to them. As such, they have to comment on the reports" (Principal).

The above excerpts show that the problem exists in schools regarding the school's financial statements. There is a lack of cooperation between the school principal and other members of the SGB, especially the parent component. The school principal seems to dominate the role of SBG. It was evident that the school principal does not collaborate with the SGB on financial matters. As a result, the SGB members felt excluded from the financial affairs of the school. This exacerbated the problem because the parents were reported to be illiterate, as they could not make sense of the reported financial statements. The biggest challenge is that some parents may lack financial literacy, which affects their capacity to engage meaningfully.

The usage of public funds by the schools

Procurement and Expenditure Control

The SGB members highlighted the following proper processes and procedures regarding the procurement of school purchases. SGB One had the following to say:

"Schools follow standardized procurement procedures to obtain multiple quotes and ensure contracts are awarded based on merit and value for money".

Training and Capacity Building

The data further showed the necessity for the training of SGB members, including administrative staff members.

“There is a lack of financial management training for SGB members, principals, and other administrative staff, especially for those located in rural areas. This is to ensure that they understand their roles and responsibilities in maintaining strong financial controls” (SGBtwo).

It is important to organise training of SGB members on matters of finances in the school. This was evident from the preceding excerpt that many SGB members, particularly in disadvantaged areas, lack the necessary financial management skills. According to Mestry, many SGB members lack adequate training in financial management, leading to ineffective budgeting and oversight.³⁶ This gap is particularly pronounced in schools located in rural or underprivileged areas, where resources for capacity-building are limited. This affects their ability to make informed decisions and oversee school finances effectively.³⁷

Monitoring and Reporting

The emerging data shows poor cooperation among SGB members. There seems to be no transparency on school financial matters. The participant shared the following sentiments:

“There is a lack of transparency in reporting that fosters accountability on SGBs. And they are required to prepare financial reports regularly, which are supposed to be reviewed and submitted to relevant authorities” (SGB Three).

The findings show that the SGB members in public schools in South Africa understand the proper processes and procedures for procurement. However, the lack of in-service training in financial management is still perennial. This challenge seems to exist in schools that are situated in rural contexts. Adding to the challenge of poor training is the lack of transparency in the management of school funds. This manifests itself in schools where some SGB members feel excluded from the preparation of the school's financial statements. As a result, parents receive questionable and unauthentic financial statements of the school.

DISCUSSION

The management of school funds seems to be the main challenge in schools. This emerged from the interaction with participants that SGBs lack the skills necessary to manage school finances adequately. As a result, SGBs do not possess proper financial planning skills. What usually happens is that the school principal conducts all the financial matters alone and only dictates how funds should be utilised. This practice leads to improper control of school funds. This is consistent with Okon and Akpan, who argue that in the Nigerian Akwa Ibon state, schools experience improper control of finances.³⁸ The study found that there is a lack of segregation of duties in terms of school financial management. This is triggered by the fact that the school principal is the only person who accesses the school funds and leaves aside other prominent SGB members. This resonates with Ngcobo and Ndovela, who argue that accountability in schools in South Africa is still an existing problem.³⁹

The findings suggest that parents do not get trustworthy financial reports from the SGB. One of the reasons is that the school principal exhibits a dictatorial approach. The school principal, in most cases, is the only person who presents financial reports to the parents. However, Ephrahem and Bhoke-Africanus advise that SGBs have the responsibility to report to parents on issues of the finances of the school.⁴⁰ Even

³⁶ Raj Mestry, “Financial Accountability: The Principal or the School Governing Body?,” *South African Journal of Education* 24, no. 2 (2004): 126–32.

³⁷ Rudolf M Oosthuizen and Claude-Hélène Mayer, “At the Edge of the Fourth Industrial Revolution: Employees’ Perceptions of Employment Equity from a CIBART Perspective,” *SA Journal of Industrial Psychology* 45, no. 1 (2019): 1–11.

³⁸ Okon and Akpan, “Financial Control Measures and the Enhancement of Administrative Effectiveness of Principals in Secondary Schools in Akwa Ibom State, Nigeria.”

³⁹ Ngcobo and Ndovela, “Evaluating Financial Reporting Guidelines in South African Public Schools.”

⁴⁰ Onesmo Amos, Goodluck Ephrahem, and Agnes Bhoke-Africanus, “Effectiveness of School Heads’ Financial Management Skills in Provision of Quality Education in Secondary School,” *Journal of Education, Society and Behavioural Science*, April 12, 2021, 20–28, <https://doi.org/10.9734/jesbs/2021/v34i230302>.

though the principal provides reports to parents, the findings revealed that parents lacked understanding of the language used to report on school financial matters. The school principals violate the government's policy on financial reporting in schools. Hence, they employ difficult language to provide incorrect financial information to parents. Thus, parents could not make sense of the financial information presented by the school principal. The public schools are still facing the challenge of financial mismanagement.⁴¹ The findings highlighted a lack of a culture of transparency on school finances. In schools, SGBs have the responsibility to prepare financial reports and present them to parents as key stakeholders of the school. A research study by Sebidi highlights that the audited school financial statements improve trust from parents, and they also develop an understanding of how the school manages its finances.⁴²

Moreover, findings revealed that SGB members do not get training in financial management. This was evident when they shared a diverse understanding of the roles and responsibilities of the school principals in school financial management. SGB members lack professional training on financial management matters, especially for those situated in rural contexts. There is a need for SGB to be equipped with financial management skills, as they play an integral role in the administration of school finances.⁴³ The role of school principals and the school finance committee is very complex, and some finance committee members lack an understanding of their role.⁴⁴ Furthermore, the findings from the literature review revealed that nine provinces are using different guidelines to prepare financial statements. In addition, the literature provided that finance committee members lack accounting skills, and the training provided by the Department of Basic Education is not adequate.

RECOMMENDATIONS

This study recommends that the Department of Basic Education should have financial training manuals written in 12 official languages. The submission of financial statements should be done via the links provided by DBE, and the treasurer should be the one submitting financial statements to avoid dictatorship from principals. Furthermore, this study recommends the need for monitoring and training the finance committee on a quarterly basis. Develop a digital internal control that can be used by finance committee members to record financial statements. The finance committee should utilise SA-SAMS to record petty cash. The value of this research is that it will assist the Department of Basic Education in curbing maladministration and improving internal control in South African schools. In addition, strengthening financial control measures in South African schools requires a multi-faceted approach that includes training, technological adoption, policy reform, and community engagement. By addressing these challenges and implementing the recommendations, schools can ensure the efficient use of resources and improve the quality of education for all learners. The research paper recommends that further researchers should develop an integrated framework that will include all stakeholders and a clear segregation of duties in terms of school financial management. Further investigation in this area is paramount. Furthermore, develop digital internal control that can be used by finance committee members in South African schools.

CONCLUSION

The focuses on assessing the internal control measures in selected secondary schools in South Africa. The findings revealed a lack of internal control of school finances. There are power dynamics between SGB members and school principals. The school principals seem to be dominant over SGB members. This was

⁴¹ Mgadla Xaba and Dumisane Ngubane, "Financial Accountability at Schools: Challenges and Implications," 2010.

⁴² Simon Diatleng Sebidi, *Shared Perceptions and Assessment of Financial Management Conduct in Rural Schools of South Africa: The Case of Mpumalanga Province* (University of South Africa (South Africa), 2019).

⁴³ Yasin and Mokhtar, "Practices of Accountability and Transparency in Financial Management among Secondary School Principals."

⁴⁴ Lourens Johannes Erasmus Beyers and Tekedi Mohloana, "Financial Management Capacity of Principals and School Governing Bodies in Lebowakgomo, Limpopo Province," *International Journal of Educational Sciences* 9, no. 3 (June 25, 2015): 343–50, <https://doi.org/10.1080/09751122.2015.11890324>; Beverley Blake and Raj Mestry, "The Changing Dimensions of the Finances on Urban Schools: An Entrepreneurial Approach for Principals," *Education as Change* 18, no. 1 (January 2, 2014): 163–78, <https://doi.org/10.1080/16823206.2013.847017>; Peter Kiplangat Koross, Moses Waithanji Ngware, and Anthony Kiplangat Sang, "Principals' and Students' Perceptions on Parental Contribution to Financial Management in Secondary Schools in Kenya," *Quality Assurance in Education* 17, no. 1 (January 30, 2009): 61–78, <https://doi.org/10.1108/09684880910929935>; Mestry, "Financial Accountability: The Principal or the School Governing Body?"; Motsamai J Motsamai, Lynette Jacobs, and Corene de Wet, "Policy and Practice: Financial Management in Schools in the Mafeteng District of Lesotho," *Journal of Social Sciences* 26, no. 2 (February 9, 2011): 105–16, <https://doi.org/10.1080/09718923.2011.11892887>; Xaba and Ngubane, "Financial Accountability at Schools: Challenges and Implications."

evident when the school's financial records and other financial-related information were handled by the school principal. The lack of separation of duties created the challenges of mismanagement of funds. The key stakeholders, such as parents, needed to understand the utilisation and management of school funds. However, the presented financial statements could not provide information that parents could understand. There was a mountain of evidence that some SGB members lack proper training in financial management matters.

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