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An evaluation of the level of financial reporting compliance of public schools in Kwazulu-Natal

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ABSTRACT

The financial management and reporting practices of public schools in KwaZulu-Natal (KZN) are a matter of concern. Section 42 of the South African Schools Act (SASA) requires that the Member of the Executive Council (MECs) for Education in KZN develops financial reporting guidelines for the schools. As a result, each province in South Africa has its l financial reporting guidelines that provide a framework for schools to report their financial information accurately and transparently. However, there are concerns about the lack of financial accountability and transparency emanating from improper financial reporting on the parts of the schools. Poor reporting practices of KZN schools may lead to negative consequences such as financial mismanagement, misappropriation of funds, and inability to account for expenditures. As a result, this study examined how public ordinary schools complied with the financial reporting requirements set forth by the KZN Provincial Department of Education (PDE). The study used a content analysis method to collect data from 58 schools' yearly financial statements over a two-year period. Descriptive statistics were used to analyze the quantitative data gathered from the financial statements to assess the degree of conformity with KZN PDE financial reporting rules. The findings revealed various instances of public schools failing to follow the rules. The schools' reporting practices were particularly poor since they did not adhere to the reporting standards. The research contributes to understanding financial reporting compliance levels among schools in KZN. The study also provides recommendations to improve compliance and promote school financial accountability.

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INTRODUCTION

Organizations depend on financial statements to communicate financial information to users and support decision-making. The financial statements include a statement of financial performance, a statement of financial position, a statement of changes in equity, and a statement of cash flows (Abdulshakour, 2020). These statements provide information about the revenue, costs, assets, liabilities, equity, cash, liquidity, and ability to fulfil the financial obligations of an institution. However, the annual financial statements of public schools in the province must include a statement of financial position, an income and expenditure statement, an income and expenditure variance report, and notes to the financial statements, as required by the School Funding Norms policy implementation manual and KZN Circular no: 80 of 2015 from the KwaZulu-Natal Provincial Department of Education (KZN PDE, 2022).

The primary purpose of financial statements is to improve communication between institutions and users, allowing users to assess performance and make informed decisions. To ensure usefulness and trustworthiness, financial statements must possess characteristics like appropriate-

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ness, reliability, comparability, consistency, and understandability (Abdulshakour, 2020). Studies conducted by Van Auken and Carraher (2013) and Salameh (2019) support Abdulshakour's assertion that reliable financial statements are essential for users to make economic and financial decisions. However, Doussy and Doussy (2014) and Mestry (2016) have discovered a lack of consistency, comparability, and fair presentation of financial statements due to different reporting guidelines employed by various South African provinces.

In KZN, public schools receive funding from the KZN PDE and engage in additional fundraising activities. Consequently, they are required to account for the use of financial resources by submitting annual financial statements to the KZN PDE. The School Funding Norms policy implementation manual and KZN Circular no: 80 of 2015 from the KZN PDE (2022) requires that these financial statements be free from misstatements and errors, accurately representing the school's financial position, income and expenditure statement, income and expenditure variances and notes to the financial statements. The School Governing Body (SGB) assumes accountability for the school's financial resources (Mestry, 2016), making it crucial for SGBs to prepare financial statements that are consistent, comparable, accurate, complete, and reliable.

The existing literature on financial statement compliance in public schools, particularly in KZN, reveals a significant research gap. While studies have explored the importance of financial statements, their characteristics, and the need for reliability, limited research specifically addresses compliance with financial statement guidelines in KZN's public schools. This research aims to bridge this gap by evaluating the extent to which public schools in KZN adhere to the School Funding Norms Policy Implementation Manual developed by the KZN PDE in 2022 as well as the KZN circular no: 80 of 2015. The manual, developed under Section 42(b) of the Schools Act 84 of 1996, is the guiding framework approved by the KZN MEC for education. Therefore, this research employs the guidelines outlined in the KZN PDE's manual and KZN circular no:80 of 2015 to investigate compliance by public schools.

The contribution of this study lies in its examination of compliance with financial statement preparation and submission guidelines in KZN's public schools. By analyzing aspects such as submission dates, the preparation and presentation of financial statements, the inclusion of required components, and adherence to accounting policies, this research will provide valuable insights into the level of compliance in the region. The findings contribute to improving the overall consistency, comparability, accuracy, and reliability of financial statements in public schools, not only in KZN but also potentially serving as a model for other regions facing similar challenges. Furthermore, this research will inform policymakers, educational authorities, and SGBs about public schools' current state of financial statement compliance. The study's outcomes can guide the development of targeted interventions and strategies to enhance financial reporting practices and ensure accountability in managing school resources. Ultimately, by addressing the identified research gap and offering practical recommendations, this study will strengthen financial transparency, decision-making processes, and financial management practices in KZN's public schools and potentially serve as a reference for similar contexts globally.

Theoretical Framework

The study of financial reporting compliance and financial management in KZN schools can be connected to the Resource Dependency Theory (RDT), a significant theoretical framework. The development of RDT is attributed to Pfeffer and Salancik in 1978. The authors assert that an organization's existence and success depend on external resources (Freeman et al., 2021). The RDT postulates that organizations establish a resource exchange relationship with external stakeholders to gain access to the resources (Omondi-Ochieng, 2019). In this case, engagement with governmental agencies, auditors, and other stakeholders involved in financial reporting compliance may be necessary. Similarly, running public schools depends on financial resources to maintain facilities, pay staff wages, and provide instructional materials. The study, therefore, examines the nature of these resource exchange arrangements and how they affect KZN schools' compliance with financial reporting requirements.

According to the theory, organizations can lessen their reliance on external resources by developing their internal resources and competencies (Bhatt & Bhatt, 2017; Greenwood & Tao, 2021). In order to ensure compliance with the rules for financial reporting, schools in KZN create internal capabilities, such as financial reporting systems, which are examined through the lens of the theory.

Financial Reporting Guidelines for Public Schools in South Africa

The South African Schools Act No. 84 of 1996 (SASA), the most significant legal and regulatory framework, governs the financial reporting of public schools in South Africa (SAAA, 2022). The SASA provides the framework for fostering sound financial management in public schools and explains the financial duties and obligations of schools. Additionally, the Department of Education (DOE) in 2006 introduction of the National Norms and Standards for School Funding (NNSSF) serves as a complementary regulatory tool that addresses the financial accountability of schools (Karlsson, et al., 2019). The Public Finance Management Act No. 1 of 1999 (PFMA) and its accompanying Treasury Regulations are crucial in ensuring financial accountability and transparency in public institutions, including schools (Sambo, 2022). The PFMA mandates the regular submission of financial statements and establishes criteria for financial reporting and record-keeping (Sambo, 2022). The Generally Recognised Accounting Practice (GRAP), developed by the Accounting Standards Board (ASB) to ensure uniformity in financial reporting, is another crucial source of financial reporting guidelines.

Compliance and Accountability in Educational Institutions

Financial accountability and transparency are essential for optimum resource allocation and expenditure management in educational institutions (World Bank, 2013; Education GPS, 2017). Compliance with financial reporting requirements ensures that funds are used effectively and fosters trust between stakeholders, the government, and educational institutions (Dlomo et al., 2022). Since the 2008 financial crisis, compliance has become a top priority for all organizations, and schools are no exception. An organization may be held accountable through its financial reporting, and its activities and financial conditions can be understood. According to Bevan et al. (2019), financial reports give organizational stakeholders accurate and sufficient information to make informed decisions.

In recent years, regulators, scholars, and stakeholders have increasingly focused on financial compliance with reporting requirements in educational institutions. To ensure efficient resource allocation and the delivery of high-quality education to all students in South African, it is essential to establish how well KZN schools follow financial reporting guidelines (Ndlovu & Gerwel Proches, 2019). Maintaining financial reporting compliance with the reporting criteria requires monthly and annual reporting and monitoring of school funds.

According to Pillay and Dorasamy (2019), while some schools demonstrate high levels of financial reporting compliance, others experience challenges in following appropriate financial management procedures. This raises concerns regarding financial accountability and transparency. A crucial part in ensuring financial reporting compliance and overall financial management in schools is played by school governing bodies (SGBs) and school management teams (SMTs) (Mokoena, 2016). According to the South African Schools Act of 1996 (SASA) (Republic of South Africa, 1996), SGBs are legally required to manage and control school finances. But, as evidenced by Hlongoane (2016) and Naidoo and Perumal (2018), SGBs frequently lack the competence and expertise in financial management needed to carry out their responsibilities successfully. As a result, several schools have low compliance with financial reporting requirements.

The degree of oversight and monitoring that the DOE and other regulatory authorities provide to educational institutions regarding financial reporting compliance (Lennard, 2007; Mokoena, 2016). Consistent and accurate financial reporting that an external auditor has verified is necessary for good governance. Improved financial reporting compliance and the development of an accountability culture in schools can be achieved through efficient oversight and monitoring activities, such as routine audits, feedback, and training sessions (Mokoena, 2016). The association between financial reporting compliance and academic performance has also been examined in recent studies. According to Madueke et al. (2017), schools with higher compliance levels in financial reporting performed academically better than those with lower compliance levels. Similarly, Madueke et al. (2017) report that efficient financial reporting and management support better resource allocation, leading to higher student learning results.

Financial reporting compliance is not entirely the duty of schools; instead, it requires the involvement and collaboration of several stakeholders, including parents, community members, and the DOE (Sebidi, et al., 2023; Govender et al., 2019). Complying with financial reporting can improve financial accountability, transparency, and compliance with reporting rules to actively involve stakeholders in decision-making processes (Dlomo et al., 2022; Govender et al., 2019). Despite financial reporting guidelines, numerous studies have documented financial non-compliance practices in South African schools (Mestry and Ndhlovu, 2014; White and Van Dyk, 2019). Lack of stakeholder involvement, inadequate financial management skills, and ineffective enforcement procedures, poor monitoring and control of funds, and lack of honesty, openness, and trustworthiness are all factors that contribute to financial non-compliance (Rangongo et al., 2016). To encourage financial reporting compliance in KZN schools, regulatory agencies and the DOE must exercise strict monitoring and oversight (Sithole & Lumadi, 2017). Regular audits and inspections can significantly improve compliance with financial reporting guidelines when they are accompanied by guidelines and feedback (Sithole & Lumadi, 2017; Krishnan & Subban, 2022). Furthermore, schools may be strongly motivated to comply with financial reporting obligations if expectations are made explicit and non-compliance's repercussions are apparent (Taole et al., 2019).

Adopting technological solutions to streamline financial management procedures is crucial to financial reporting compliance (Thwala & Mkhize, 2019). Digital solutions, such as accounting software, can improve compliance with reporting guidelines, streamline financial reporting, and decrease human error (Thwala & Mkhize, 2019). Technology can also help promote greater school accountability by increasing transparency and stakeholder access to financial data (Thwala & Mkhize, 2019).

Other recent studies have also underlined the importance of stakeholder participation in improving financial accountability in schools (Govender et al., 2019). Parental and community involvement in financial decision-making improves openness and promotes an accountability culture (Govender et al., 2019). Despite financial reporting standards, numerous studies have revealed non-compliance and poor financial management practices in South African schools (Mestry & Ndhlovu, 2014; White & Van Dyk, 2019). Lack of stakeholder involvement, inadequate financial management skills building, and ineffective enforcement procedures are all factors that contribute to non-compliance (Mokoena, 2016).

KZN schools must proactively deal with the difficulties posed by financial management and reporting in light of the increased emphasis on compliance with financial reporting guidelines. KZN schools can improve their compliance with financial reporting guidelines by using a multi-faceted approach that includes capacity building, efficient monitoring and oversight, stakeholder engagement, and the use of technology. This will improve resource allocation and student learning outcomes.

METHOD

Research Design

This study evaluates the degree of KZN schools' financial reporting compliance. For this study, a descriptive research strategy was adopted. Descriptive research design answers research questions by gathering and analyzing data to explain a population, situation and phenomenon. The descriptive research approach is suitable for collecting and analyzing data relating to the financial performance of public schools in KwaZulu-Natal. Additionally, the study used a longitudinal research design. Due to this methodology, the researchers gathered data for two years from many schools. The study also used a quantitative content analysis method as part of its research methodology. Results using quantitative research methodologies are reliable and valid. The financial reports of schools in KZN were gathered and examined using the content analysis methodology. The aspects in financial reports that will be evaluated were submission dates, the preparation and presentation of financial statements, the inclusion of required components, and adherence to accounting policies. Those aspects were then derived into indicators: (1) compliance with the submission date of annual financial statements, (2) compliance with the presentation of statement of financial position, (3) compliance with the presentation of income and expenditure statement, (4) compliance with the presentation of income and expenditure variance report, (5) compliance with the inclusion of comparative financial statements, (6) compliance with the inclusion of notes to the annual financial statements, and (7) compliance with the inclusion of accounting policies.

Participant and Data Collection

Public schools in KZN were the study's target population. The annual financial reports from 58 public schools in KZN covering the academic years 2020 and 2021 served as the study's sample. We chose the annual reports using a simple random sampling method. The sample size was sufficient for statistical analysis and desired population representation.

Data was collected using a content analysis method. The KZN provincial head office of DOE provided access to the annual reports of the schools. Data from the financial reports were gathered using the content analysis method to determine the degree of adherence to the KZN guidelines for the compilation of the financial statements of the public schools. The content analysis coding sheet was developed and pretested to ensure validity and reliability.

Data Analysis

The data collected was analyzed using quantitative and descriptive data analysis techniques. Quantitative data analysis involves analyzing numerical data to identify patterns, trends, and relationships. The data was analyzed and presented in frequencies and percentages to describe the financial reporting compliance of public schools in KwaZulu-Natal. The analysis results are compared with the Guideline for Preparation of Public Schools Financial Statements in KZN to determine if the schools comply with the financial reporting requirements set out by the KwaZulu-Natal DOE. The results are presented in tables for easy interpretation.

FINDINGS AND DISCUSSION

The purpose of this research is to evaluate the compliance level of schools in KwaZulu-Natal with the preparation and presentation of annual financial reports, as per acceptable practices and the Guideline for Preparation of Public Schools Financial Statements.

Compliance with the Submission Date of Annual Financial Statements

Section 42(b) of the South African Schools Act, 1996 (SASA) requires that the governing body of a public school must, as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements following the guidelines determined by the Member of the Executive Council (MEC) (SAAA, 2022). Schools must further submit audited financial statements to the KZN DOE within six months after the school's year-end. Table 1 presents the results of the compliance level of schools in KZN with the submission date of their financial statements, as per the Guideline for Preparation of Public Schools Financial Statements in KZN. The analysis is based on the frequency and percentage of submission compliance with the due date of 30 June the following year.

Table 1. Compliance with Submission Date

	Frequency	Percentage
Yes	18	17.6%
No	25	24.5%
Unknown (no date)	59	57.8%
Total	102	100%

The findings reveal that 18 (17.76%) of the 102 financial statements examined were submitted on time, while 25 (24.5%) missed the reporting deadline. The results further show that the majority (57.8%) of the financial statements did not indicate the submission date, making it difficult to determine whether they were compliant. The percentage of KZN schools who failed to submit their financial statements by the deadline raises concerns since it shows a disregard for the rules and guidelines established by the DOE. This finding indicates that, in comparison to the suggested standard established by the Guideline for Preparation of Public Schools Financial Statements in KZN, the compliance level of schools in KZN with the submission date for financial statements is low. The recommended time frame for submitting school financial statements is six months after the end of the fiscal year. Only 17.6% of the schools included in the study followed the guidelines. The COVID-19 lockout may have contributed to the delay. Even though the schools could not submit their financial accounts on time, the receipt date was still necessary.

The results confirm the findings of earlier studies, such as that of Mestry and Ndlovu (2014). The authors reported that South African schools failed to comply with financial statement reporting and submission deadline. Delayed financial reporting can result in inefficient resource allocation, incorrect financial planning, and improper financial management. These may have a negative cascading effect on the quality of education given to students. The DOE should also consider imposing sanctions on schools that do not comply with the submission deadlines.

Compliance with the Presentation of Statement of Financial Position

This section presents the results of the preparation and presentation of statements of financial position. The result is presented in Table 2.

Table 2. Presentation of Statement of Financial Position

	Frequency	Percentage
Yes	102	100%
No	0	0%
Total	102	100%

The findings demonstrate that all the annual financial statements contained a statement of financial position, demonstrating that the schools complied with the reporting guidelines. However, the statement of financial position among the schools was dissimilar in format and content. Some of the statements of financial position contained only the asset side and left out the liability and accumulated fund (equity) sides. Those that contained the liability and accumulated fund sides forced the numbers to balance, which violates the standards and guidelines for preparing the statement of financial situations. This approach is dangerous since it creates a false impression of the financial position of the schools. As a result, schools must adhere to the guidelines to provide accurate and reliable financial information.

The findings also show that, despite the schools including the statement of financial position in their annual financial statements following the reporting guidelines, the level of compliance in content and format was inconsistent and inconsistent. This result is in line with what was found in other studies. Mokoena (2016), for instance, found that although secondary schools in Lesotho complied with the reporting guidelines, there was low compliance with the reporting requirements for both content and presentation. Pillay and Doorasamy (2019) provided similar conclusions in their study that examined the financial reporting compliance of schools. These authors found that the financial statements of the schools lacked transparency and were difficult to understand.

These findings have several implications emanating from these findings. First, stakeholders, including parents and the DOE, rely on the statement of financial position to make decisions. As a result, the schools risk losing funding and other support from stakeholders if they do not provide accurate financial statements. The schools must ensure that they comply with the reporting standard and guidelines when preparing the statement of financial position. The DOE should provide training and other support to SGBs to assist them in complying with the financial reporting guidelines. The reporting guidelines should also be revised to include a full explanation of the content and format of the statement of financial position to make compliance easier for the school management and SGBs.

Compliance with the Presentation of Income and Expenditure Statement

Table 3 presents results relating to the extent of compliance of the schools in the preparation and presentation of income and expenditure statements.

Table 3. Presentation of Income and Expenditure Statement

	Frequency	Percentage
Yes	102	100%
No	0	0%
Total	102	100%

The result demonstrates that all of the schools in KZN included an income statement in their annual financial reports. This suggests that the income and expense statements for the schools in KZN have been reported in a highly compliant manner. However, the contents of the income statements varied amongst the schools, raising questions about the accuracy and comparability of the data. The evidence showed that some schools' income statements were prepared in violation of the KZN's guidelines for the preparation of financial statements of the public school. Some schools specifically produced a statement of profit and loss as if they were profit-making companies, which is improper for schools founded for instructional purposes and not for profit. Public schools are non-profit institutions, and their financial records ought to reflect this, which is a significant concern. What is more concerning is that the KZN financial reporting guidelines for public schools explicitly stipulate that the income statement should represent the school's operations and not be presented in a way that reflects a profit-making business.

This shows a lack of understanding and knowledge on the side of the schools and the financial statements' preparers on the proper financial reporting methods for educational institutions. Instead of focusing on profit or loss, an income statement for a school should analyze all of its costs and revenues, including any surplus or deficit. Inappropriate income and expense statement presentation can result in misconceptions and misinterpretations of the schools' financial performance, which can erode stakeholders' trust in the financial management of the schools.

Additionally, the results showed that some schools submitted income statements that did not follow the prescripts of the guidelines. These income statements omitted critical information, such as the breakdown of revenues and expenses by source or were incomplete. These results are in line with earlier studies into public schools around the world. For instance, research by Thwala and Mkhize (2019) in South Africa discovered that public school income and expenditure statements were insufficient and missed crucial information. Similarly, research by Naidoo and Perumal (2018) on public schools found that many presented financial statements in a way that implied they were for-profit businesses, even though public schools are, by definition, non-profit institutions. The results show that public schools in KZN must strictly comply with the guidelines for preparing financial statements.

The results of this study have significant implications for the financial reporting practices of public schools in KZN. Stakeholders such as parents, donors, and government officials may misinterpret the financial performance of the schools if the income statement is presented as a profit and loss account. As a result, the schools would face challenges in attracting funding and assistance. To overcome these challenges, the provincial DOE must frequently offer training on preparing financial statements for schools.

Compliance with the Presentation of Income and Expenditure Variance Report

This section presents the results of the inclusion of variance reports in the annual financial statements of the schools. The results are presented in Table 4.

Table 4. Presentation Income and Expenditure Variance Report

	Frequency	Percentage
Yes	15	14.7%
No	87	85.3%
Total	102	100%

The KZN PDE manual states that the income and expenditure statement should provide information of the income and expenses of the schools for the relevant years and compare them with the approved annual budget of the schools. The manual also requires the financial statements to reflect the percentage difference between actual and budgeted income and expenses, with an explanation for any difference greater than 10%. The results presented in Table 4 show that 14.7% of the annual reports contained variance reports, while the majority (85.3%) did not. This suggests a low compliance with the Guideline for Preparation of Public Schools Financial Statements in KZN. Even among those that provided the variance report were mainly in the rand value of the difference between the budgeted and actual results.

In contrast, the guideline stated that the variance should be in percentage. The guideline further provides a formula for calculating the variance; however, the preparers of the financial reports chose to violate such provisions. This non-compliance is concerning as it undermines the usefulness of the financial reports to stakeholders. Furthermore, the guideline requires schools to provide reasons for the variance when it exceeds 10%, but our analysis found that no reasons were provided, even when the variance exceeded the 10% threshold. This blatant disregard for the guideline shows the schools' lack of seriousness in preparing financial statements and accountability to various stakeholders.

The findings of this study are consistent with the previous studies conducted in South Africa. Sithole and Lumadi (2017) conducted a case study and found that most schools in South Africa did not comply with the financial reporting requirements. The financial statements were of poor quality. The lack of schools' compliance with the guidelines indicates a disregard for financial reporting and accountability to stakeholders, implying a lack of seriousness attached to financial reporting and accountability to stakeholders by schools. Failure to provide variance reports in the required format could mislead stakeholders in assessing the financial performance of schools. The lack of consequences for non-compliance further enables schools to ignore the guidelines, potentially leading to inefficient allocation of resources. Therefore, consequences for non-compliance should be enforced to ensure schools adhere to the financial reporting requirements.

Compliance with the Inclusion of Comparative Financial Statements

Comparative information shall be presented regarding the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to understanding the current period's financial statements. If the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. Table 5 presents the results regarding the schools' compliance with reporting comparative information in their annual financial statements.

Table 5. Inclusion of Comparative Financial Statements

	Frequency	Percentage
Yes	46	45.1%
No	56	54.9%
Total	102	100%

Table 5 shows that only 45.1% of schools included comparative information in their annual financial statements, while 54.9% did not. This result demonstrates a lack of compliance with the guideline that requires comparative information to be disclosed in respect of the previous period for all amounts reported in the financial statements. This violates the guidelines and raises concerns about transparency and accountability in the management of public resources. This low level of compliance with the guidelines for the preparation of public schools' financial statements in KZN is concerning, as comparative information is essential for stakeholders such as parents, communities, and government officials to assess the financial health and performance of schools.

Compliance with the Inclusion of Notes to the Annual Financial Statements

Notes to the annual financial statements are essential for the users to fully understand the items of the statement of financial position, statement of financial performance and statement of income and expenditure variance report. The school financial statements shall provide disclosures and explanatory notes regarding allocations, transfers, grants and subsidies, land, buildings, vehicles, furniture, fixtures and fittings, bank, inventory and correction of prior period errors, etc. Additionally, a school whose financial statements comply with the KZN PDE financial reporting guidelines shall make an explicit and unreserved statement of such compliance in the notes. Table 6 presents the results on the compliance level of schools in KZN regarding including notes in their annual financial statements.

Table 6. Inclusion of Notes to the Financial Statements

	Frequency	Percentage
Yes	6	5.9%
No	96	94.1%
Total	102	100%

The results presented in Table 6 demonstrate low financial reporting compliance among the schools. Only 5.9% of the schools included notes in their annual financial reports, while 94.1% did not. The results further revealed that the notes did not follow the reporting guidelines of the DOE. The majority of the notes just included the header "notes," but the content of the notes was not compliant with the guidelines. According to the guidelines, the notes should provide an explanation of the financial information in the various financial statements. However, this information was not included in the notes. The low level of financial reporting compliance among schools in KZN is concerning since it undermines accountability, and good governance in the public schools. The DOE should intervene proactively to assist SGBs in adhering to financial reporting guidelines and procedures to address this issue.

Compliance with the Inclusion of Accounting Policies

This section presents the results on the level of financial reporting compliance of schools in KZN. The analysis involves the inclusion of the accounting policies of the schools in the annual financial statements. The results are presented in Table 7.

Table 7. Inclusion of Accounting Policy

	Frequency	Percentage
Yes	63	61.8%
No	39	38.2%
Total	102	100%

The results show 61.8% of the annual financial reports included accounting policies, whereas 38.2% did not. However, most financial statements that included accounting policies did not follow the guidelines for preparing financial statements. In addition, those that included accounting policies failed to present a summary of significant accounting policies that formed the basis of preparing the financial statement. This revelation is concerning as it suggests that most schools did not comply with the guidelines for preparing financial statements. The failure to disclose information about their accounting policy highlights a lack of knowledge and skills among the SGBs to prepare financial statements that comply with the guidelines. It is recommended that the Provincial DOE should provide training to SGBs on financial reporting and compliance with the guidelines.

CONCLUSION

Compliance with financial reporting guidelines is essential for schools as it can impact resource allocation, accountability, and transparency. As a result, this study examined the compliance level of financial reporting among schools in KwaZulu-Natal. The study used data extracted from the 2020 and 2021 annual financial reports of 58 public schools in KZN. The data were collected using a content analysis method. Both quantitative and descriptive data analysis methods were used to analyze the data. The findings showed that most schools did not submit their financial statements by the deadlines established by the KZN Provincial DOE guidelines. The findings also demonstrated that while all the schools provided statements of financial position, there were inconsistencies in the content and format prescribed in the guideline. Additionally, the study found that all schools included a statement of financial performance. However, the way they prepared it suggested that they were profit-making entities. Additionally, some schools provided incomplete financial performance statements.

The study's findings demonstrate the importance of improving financial reporting compliance in KZN schools. To strengthen SGBs' knowledge and abilities in financial reporting and compliance with the guidelines, the KZN Provincial DOE should offer training and support to the preparers, management and SGBs. This will ensure the preparation of reliable, transparent, and relevant financial statements to assist stakeholders in making informed decisions. The financial management of schools and the provision of high-quality education may be adversely impacted by a failure to follow the guidelines for preparing financial statements. It may lead to financial mismanagement, a decline in stakeholder trust, and difficulty in monitoring and assessing the financial performance of the schools. As a result, SGBS must ensure that their financial statements are truthful, defensible, and following the regulations. This solely concentrates on public schools in KwaZulu-Natal. In addition, the study examined data from two years, which might not be enough to give a comprehensive picture of the financial reporting practices of public schools in KwaZulu-Natal. These limitations present opportunities for additional study. We suggest further studies to determine the function of auditing in maintaining compliance with the financial reporting guidelines.

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