

Budgeting
in
Maltese Church Schools:
An Analysis

by

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ABSTRACT

Purpose: The main purpose of this study is to examine and evaluate the budgeting process implemented in Maltese church schools and identify any particular issues.

Design: The objectives of this study were achieved through a qualitative study which was deemed to be the most appropriate approach. Seven semi-structured interviews were conducted with heads of church schools governed by different religious orders. The questions were based mainly on school budgeting planning, budget participation, budget controls and disclosure.

Findings: Maltese church schools acknowledge the importance of a good budgetary process to allocate scarce resources efficiently and effectively. This is particularly essential to church schools as they depend mainly on parents' donations to finance all the school current and capital expenditure. Findings show that there is room for improvement regarding budget participation throughout the budget process. The results obtained from the analysis show an interesting distinction between church schools run by lay people and church schools run by religious people or established as a foundation, with regards to budget disclosure.

Conclusions: Church schools understand the significance of implementing and maintaining a suitable budget to ensure a continuous improvement in the productivity of the school, especially in the educational aspect. However, there is still room for improvement in the budgetary process especially regarding budget participation and transparency.

Value: This study is beneficial for Maltese church schools to enhance the efficiency and effectiveness of the budgetary process. It also gives a clearer insight of the budgetary system in Maltese church schools for the public interest.

Key words: Budgetary Process, Budget Participation, Budget Transparency, Church Schools

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DECLARATION

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I hereby declare that I am the legitimate author of this Dissertation and that it is my original work.

No portion of this work has been submitted in support of an application for another degree or qualification of this or any other university or institution of learning.

Signature of Student

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DEDICATED TO MY FAMILY AND FRIENDS
FOR THEIR CONTINUOUS SUPPORT

TABLE OF CONTENTS

ABSTRACT	ii
DECLARATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	vi
LIST OF FIGURES	ix
LIST OF TABLES	x
CHAPTER 1: INTRODUCTION	1
1.1. Introduction	2
1.2. Education in Malta	2
1.3. Church Schools.....	3
1.4. Church School Financing	6
1.5. School Budgeting	8
1.6. Need for study	9
1.7. Research Objectives.....	9
1.8. Limitations of Scope.....	10
1.9. Chapter Overview	10
1.10. Conclusion.....	11
CHAPTER 2: LITERATURE REVIEW	12
2.1. Introduction	13
2.2. Budgets	13
2.3. School Budgets.....	14
2.3.1. <i>School budget process</i>	15
2.4. Budgeting Techniques.....	18
2.4.1. <i>Incremental budgeting</i>	18
2.4.2. <i>Zero-based budgeting</i>	19
2.5. Participative budgets versus Authoritarian budgets	20

2.5.1.	<i>Top-down Budgeting</i>	20
2.5.2.	<i>Bottom-up Approach</i>	22
2.5.3.	<i>Managing Participative Budget in Schools</i>	25
2.6.	School Budget Transparency.....	27
2.7.	Conclusion.....	28
CHAPTER 3: RESEARCH METHODOLOGY		29
3.1.	Introduction	30
3.2.	Research Philosophy	30
3.3.	Research approach.....	31
3.4.	Research strategy.....	32
3.4.1.	<i>Interviews</i>	33
3.4.2.	<i>Participants</i>	34
3.4.3.	<i>Data Analysis</i>	35
3.5.	Limitations of the study	37
3.6.	Conclusion.....	37
CHAPTER 4: FINDINGS AND ANALYSIS		38
4.1.	Introduction	39
4.2.	Background Information	39
4.3.	Funding of Church Schools.....	40
4.4.	Expenditure.....	42
4.5.	Budget Participation	44
4.6.	Budget Disclosure	47
4.7.	Budget Control.....	51
4.8.	Conclusion.....	53
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS		54
5.1.	Introduction	55
5.2.	Summary and Recommendations.....	55
5.2.1.	<i>Improvement in Budget Participation</i>	55

5.2.2. <i>Budget Transparency and Accountability</i>	57
5.3. Further Research.....	59
5.4. Concluding Remarks.....	59
Reference List	61
Appendices	67
Appendix A: Guidelines for the Interview	68
Appendix B: Letter of Introduction	70
Appendix C: Agreement on Church schools	71

LIST OF FIGURES

Figure 1.1 Number of Students in 2007/2008	4
Figure 1.2 The percentage of Students attending Primary and Secondary in the different School sectors.	5
Figure 2.1 School Budget Process	16
Figure 3.1 Inductive Approach	32
Figure 3.2 The Data Analysis Process.....	36

LIST OF TABLES

Table 4.1 Budget Disclosure Levels..... 47

CHAPTER 1: INTRODUCTION

1.1. Introduction

This Chapter sets the context surrounding this dissertation in terms of education in Malta, Maltese Church Schools and Church School finances, as well as giving an overview of school budgeting.

1.2. Education in Malta

Education has always been a very important sector in the Maltese economy. In fact, every year the Maltese government allocates a significant amount of its budget towards the education sector in order to ensure that every person in the country is given the opportunity to develop his/her full potential. In the 2012 Budget speech, the Minister of Finance, the Economy and Investment declared that “for 2012 investment in education sector will be of €359 million”, an increase of €23 million from last year’s 2011 budget.

Education in Malta is compulsory from five to sixteen years of age, subdivided into a six year primary period and another five years in secondary school, (Education Act, 1988). The Education Division which falls under the Ministry of Education, Employment and the Family, has the responsibility to ensure educational quality to

all Maltese students within the compulsory school age, as stated in the Education Act of 1988, which is the Maltese law that governs the education sector.

Maltese parents have a right to opt to send their children either to a state school education provided by the government or to a non-state school which is further sub-divided into Church Schools and private schools.

1.3. Church Schools

In the Agreement on Church Schools between the Holy See and the Republic of Malta, 1991, the Maltese state recognises the right of the Church to establish and direct its own schools according to their specific nature, and autonomy of the organisation. This agreement abides Maltese Church Schools to follow the National Minimum Curriculum submitted by the Education division. In fact, the Education Act of 1988 (Chapter 327),

“empowers the State Education Division to inspect and to supervise the administration of every school, even of the Non-State schools, and to ensure that they follow and deliver the National Minimum Curriculum and that the National Minimum Conditions (Regulations) are observed”

In fact, Church Schools provide the same general education as that provided by state and Private schools, with the only contrast that the former is supported by a particular Church. In the case of Malta, the Church Schools are predominately

Catholic Schools, having twenty-five primary schools and twenty-three secondary schools around Malta and Gozo (education statistics 2007/2008). These Church Schools are governed by different religious orders or voluntary groups which fall under the Commission for Education of the Maltese diocese.

The following figures taken from the education statistics 2007/2008 by the Maltese national statistics office (NSO) show the number and percentage of Maltese students attending primary and secondary schools in the different school sectors. It is significant to note that 29% of the primary and secondary Maltese students attend Church Schools.

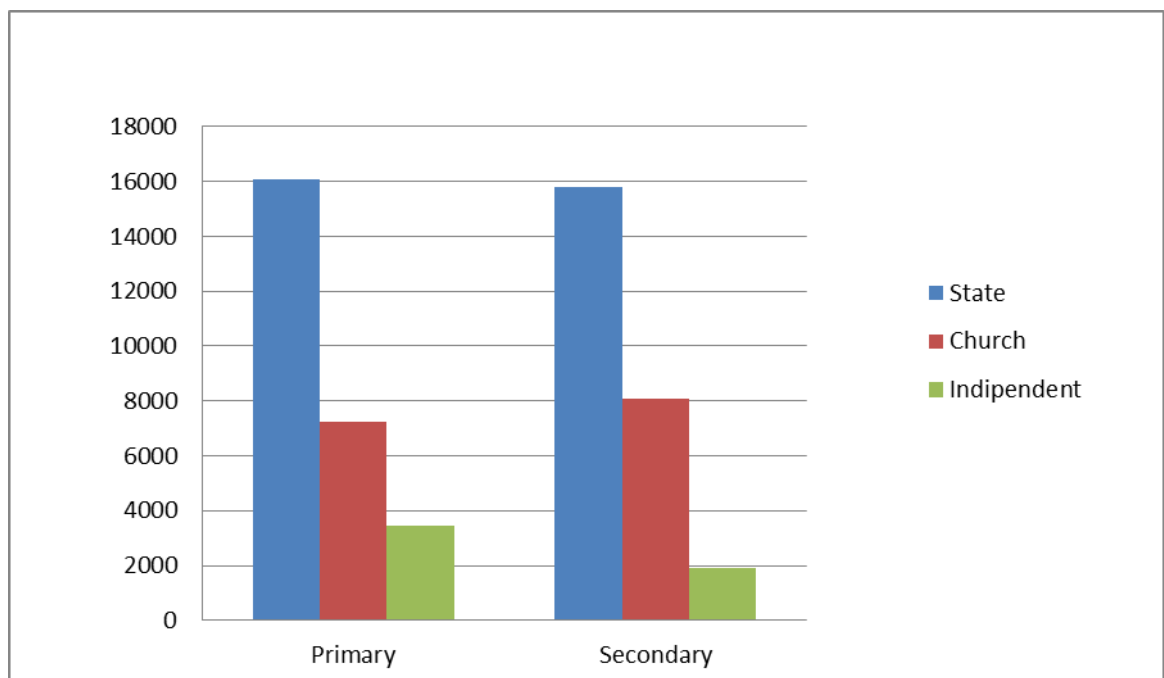


Figure 1.1 Number of Students in 2007/2008

Source: Adapted from NSO education statistics 2007/8

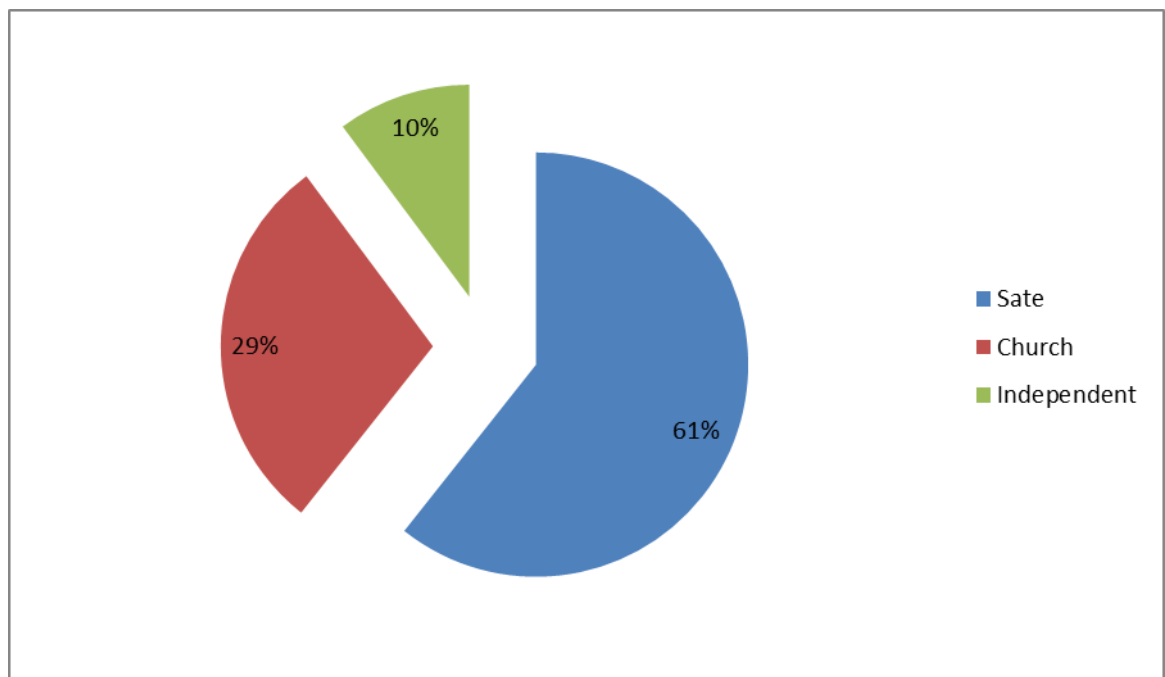


Figure 1.2 The percentage of Students attending Primary and Secondary in the different School sectors.

Source: Adapted from NSO education statistics 2007/8

Maltese Church schools form part of The Private Schools Association (PSA) which was founded in 1951. The PSA incorporates Primary, Secondary and Sixth Form Sections of Maltese non-state schools. The PSA is composed of the General Council represented by the Church School committee and Independent school committee.

The main aims of the PSA are:

- To ensure that private schools keep up with the progress occurring in education in collaboration with the Government Education Authorities and Division.

- To promote the education of youth according to the Church teachings.
- To watch over special interests of Private schools and advance to reach such interests.

The PSA chairman has the duty to retain a good relationship with the State. (Statute of the PSA Malta, 2010)

1.4. Church School Financing

The Agreement on Church Schools between the Holy See and the Republic of Malta, 1991, makes it clear that Maltese Church Schools are a non-profit making organisation and charge no fees to students attending there.

The Church is in charge of making available its own school buildings in which they are established and is responsible for the charges made for maintenance of the buildings and any future extensions of the school buildings. It is also responsible for the remuneration of the staff not forming part of the ordinary teaching.

Therefore, every Church School has to finance such current and capital expenditures by raising funds, mainly through voluntary donations from parents or other people and fundraising activities by the school and the Parents Teachers Association. An annual collection is also made in every parish in the Maltese diocese specifically for assisting Church Schools. This collection is split amongst the different

Church Schools by the Church authorities in proportion to the students and staff of every school.

The Agreement on Church Schools signed between the Holy See and the Republic of Malta, in 1991, stipulates that the government should also play an important role in the financing of Maltese Church Schools. The government is in charge of funding the payments of the salaries of the teaching and non-teaching staff which falls under the same categories and criteria envisaged in each state school.

The government also gives an additional sum of 10% calculated on the gross total amount of remuneration paid to teaching and non-teaching staff before deducting the contribution made by religious personnel serving in Church Schools. This amount is granted to finance Church Schools for their general expenses and assist them in educational investment. In the Budget Speech, 2012, the Minister of Finance, the Economy and Investment stated that,

“This year we have also increased the financing of Church Schools to continue implementing the reform in education. This means that Church Schools are being given additional support and means to ensure education of the highest quality for their pupils and students. For next year we are allocating 45.2 million for these schools.”(Budget speech 2012, p.60)

These funds given by the government are managed and administered by the Church authorities through the Commission for Education.

1.5. School Budgeting

Budgeting is of vital importance in any organisation and even in schools. Budgeting plays an important role as it is the tool that enables schools to function.

According to COMSEC, Module 5 (1993, as cited in Commonwealth Secretariat, 1998, p.33) school budgeting is defined as ‘a process of preparing a summary of programmes of the school reflecting the expected revenue and expenditures’.

It is important that when schools are preparing budgets, the educational programme is kept as the central focus, to be well-supported by revenue and expenditure. This is to ensure that decisions taken are designed to balance the program needs and priorities, against revenue and expenditure.

Because of such importance, it is the responsibility of every Head or Treasurer of each school to make every possible effort for yearly budgets to be properly planned within a reasonable time, maintained and controlled, regardless of the approach used.

According to the Maltese Education Act, the Directorate of Educational Services in collaboration with the Maltese state schools has the function of planning, providing and allocating resources. In the preparation of the business plan the directorate needs to facilitate the formal budgeting preparation and compliance of the colleges while ensuring that funds allocation is adopted properly.

Dissimilar to state schools, no material was found regarding the obligation of Maltese Church Schools to cater for the preparation and adoption of budgets, and the submission of budgets to higher authorities for approval. Every Maltese Church School determines the need for such budget preparation, adoption and approval according to who is running it.

1.6. Need for study

A study on 'Budgeting Systems in Maltese State Schools' was done by Chircop (2009), where she recommended undertaking an evaluation of the current budgetary system adopted in Church Schools given that their funding system differs from that of State Schools. Till now such a study has never been carried out although as already pointed out, it would be of great benefit for Church Schools in Malta as well as for the public interest given that almost one third of the Maltese children attend primary and secondary Church Schools. (Education Statistics 2007/2008)

1.7. Research Objectives

This dissertation will aim to achieve the following objectives:

- To determine if Maltese Church Schools perform and adopt a budget of revenue and expenditure for the following year.

- To determine how Church Schools governed by different religious orders or voluntary groups, collect the necessary funds for their current and capital expenditure.
- To evaluate the current budgetary process adopted in Church Schools, thereby, identifying any particular issues.

1.8. Limitations of Scope

The study will be limited in giving a general evaluation of the core stages of budgeting common in Maltese Church Schools. It will therefore not go in detail in the several elaborated budget stages. Moreover, this study limits its focus on budgeting in Maltese Church Schools, thus state and private schools will not be taken into consideration.

1.9. Chapter Overview

Chapter One sets the context surrounding this dissertation. It also explains the need for such a study as well as the overall aim and objectives of the study.

Chapter Two reviews the literature on the importance of school budgeting, budget participation vis a vis authoritarian budget and school budgets participation.

Chapter Three describes the research methodology used in the study and how data gathered for this study was analysed.

Chapter Four documents, analyses and sets out the research findings from the interviews and consultations carried out during the study.

Chapter Five points out any conclusions and recommendations that can be drawn from the research conducted.

1.10. Conclusion

This chapter provided an overview of the dissertation, setting out its need and objectives. The next chapter reviews the literature regarding school budgeting in general, as well as any literature relevant to the main themes identified in this research.

CHAPTER 2:

LITERATURE REVIEW

2.1. Introduction

This chapter reviews the literature regarding school budgeting in general and the main themes identified in this research mainly school budget techniques, budget participation versus authoritarian budget approach and budget transparency. The literature was obtained from books, publications, journals, internet and online articles.

2.2. Budgets

Shim, Siegel and Shim (2012, p.1), define the term budget as:

“the formal expression of plans, goals and objectives of management that covers all aspects of operations for a designated time period ... a financial plan to control future operations and results.”

It is an important managerial tool to facilitate management decisions in fulfilling the organisational goal. The budget provides the company with targets and directions as well as being a tool for measuring and controlling results.

Furthermore, budget becomes an essential important tool for the survival of the organisation when there are not enough resources to satisfy the needs and thus it becomes an instrument of setting priorities.

It is important that every organisation has a budget committee to ensure an effective budget process. The committee's major task is to ensure that the budget comprises the organisational strategy and that figures are realistically and reasonably coordinated. The committee is usually formed of high level executives representing the major departments.

Every organisation whether non-profit or profit oriented should engage in a sound budget process which suits the particular needs, structure and human resources of the organisation. A good budget process communicates the organisational goals and policies, allocates resources, provides feedback and enhances motivation.

(Shim, Siegel and Shim, 2012)

2.3. School Budgets

The budget is an important and powerful tool for schools as it will indicate the amount of the financial resources available, and how these will be allocated to the various school activities and projects necessary to deliver the school's strategic plan for a period of time.

From a research carried out in 2007-08 by Smith and Riley (2010), it emerged that school budgets, apart from providing a detailed plan of how available financial resources are going to be spent, also contribute in other ways such as by:

- Giving more attention when engaging a detailed forward plan.

- Enhancing teamwork and communications between departments and staff.
- Notifying the possible activities that may be done and those activities that for the time being remain only a dream.

2.3.1. School budget process

The school budget process should be concerned with identifying the needs of the school which are closely linked to the school's development plan. More often than not, great weight is placed on the role of the school administrators to clarify the school budget process and in choosing the best strategy. A general framework of the school budgeting process is presented in Figure 2.1 and explained in more detail below.

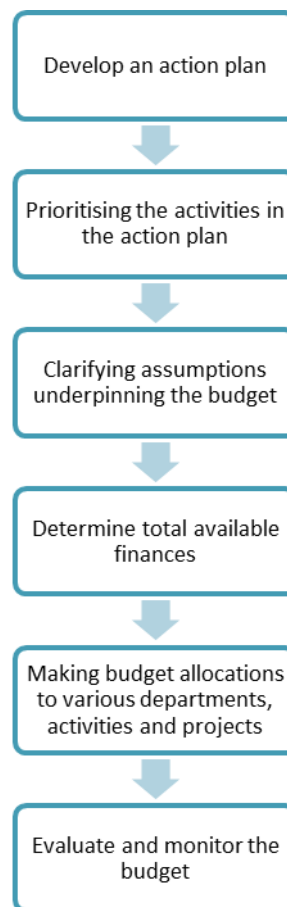


Figure 2.1 School Budget Process

Source: Adapted from Smith and Riley (2010)

1. The first step of a school budget process is to develop a plan which is educationally centred and reflects the strategic plans of the school. The plan is designed to identify how each objective is to be reached through a set of school activities, programs and actions. In other words, the plan needs to clearly show what needs to be funded in the forthcoming year.
2. The plan of action needs to be designed to identify budgetary priorities, focusing on appropriateness and expenditures. Thus, it is essential that the

activities planned are listed according to prioritisation which is assigned on the basis of what the schools deems most appropriate.

3. Due to the fact that budgets are a future plan, they are all developed on a set of assumptions. For example, some assumptions developed in the school budget will be the enrolment number of students and academic salaries. These assumptions are usually based on past experiences or historical data and on any research analysis. The assumptions the budget is based on, need to be clearly identified to be able to modify the given assumptions if found inaccurate throughout the budgeted period.
4. On the basis of the above assumptions made, it is important to identify all the known and expected funded sources of the school for the budget period.
5. Budget allocation to the various school activities and departments is identified by taking into consideration all the previous steps in the process. It is important that in determining budget allocation, the school administration keeps in mind the school overall objectives, the prioritisations and assumptions made and the school finances.
6. A budget is not a one-time plan but it is rather a dynamic one. Therefore, after implementing the budget it is important to evaluate the budget

process while engaging in continuous monitoring and control. In this way it is better determined if the established goals and activities are within the allotted limits or if any amendments need to be made. If need be, budget revisions should be made to cater for any changes in the budget factors in order to maintain sound budget estimations.

According to Shim, Siegel and Shim (2012, p.17):

“At the beginning of the period, the budget is a plan. At the end of the period, the budget is a control instrument to assist management in measuring its performance against the plan so as to improve future performance.”

Thus it is crucial that the budgeted figures are compared to the actual figures and action must be taken to correct any uncontrollable variances.

2.4. Budgeting Techniques

Efforts to improve school budget practices have led to common and various budget approaches pursued by different school administrators, mainly incremental and zero-based budgeting.

2.4.1. Incremental budgeting

Historically, incremental budgeting has been the most common approach of preparing budgets. Even nowadays some schools are still set on using an

incremental budget approach because it is very simple to understand and prepare. In this approach the budget for each period is based on the previous budget or actual results adjusting for any expected changes to occur in the coming period, such as inflation and economic changes (Shim, Siegel and Shim, 2012). It concerns mainly the additions in the revenue and expenditure that will arise in the forthcoming year. The major drawback of this approach is that unless an extra effort is made the current activities and expenditures are assumed to be unchanged, thus past inefficiencies and waste are continuously inherent.

2.4.2. Zero-based budgeting

An alternative to incremental budgeting is zero-based budgeting where the budget is built up totally from scratch. According to Drury (2000, pp.574-575)

“This approach requires that all activities are justified and prioritised before decisions are taken relating to the amount of resources allocated to each activity... ZBB works from the premise that projected expenditure for existing programmes should start from base zero with each year’s budget being compiled as if the programmes were being launched for the first time.”

The zero-based budgeting compels the school administrators to consider all possible alternatives to attain the objectives of the activity and give good reason for the undertaking of such. In this way there should be more efficient allocation of resources, but this approach is more complex compared to incremental budgeting and takes plenty of effort and time to prepare.

2.5. Participative budgets versus Authoritarian budgets

The process of preparing the budgets will differ from one organisation to another. Mainly the organisations apply one of the two approaches in the budget process. The organisation may use a top-down approach which reflects an authoritarian style in preparing the budget. Alternatively it can use the bottom-up approach known as the participative budgeting.

2.5.1. Top-down Budgeting

A top-down budgeting approach is when “Senior managers finalize the budget with limited input from the lower organizational levels.” (Balakrishnan, Sivaramakrishnan and Sprinkle, 2009, p.278).

In fact the budget is created by the highest level of management and then imposed within the lower levels of the organisation. In this way the budget is lacking the organisation-wide input. The top-down approach is suitable in organisations which are small, with centralised decision making and where the higher level management have enough knowledge for budgeting purposes.

The following are the major advantages of using the top-down budget approach:

- One of the major benefits of the top-down approach is that the budget will more likely reflect the school overall strategic goals and priorities rather

than the specific interests of the various school departments and activities.

Decisions are made with a clearer and wider picture of how funds should be allocated to achieve the most positive impact.

- Through this approach, employees are given specific performance objectives to achieve; hence, they know what they are expected to do. Therefore, they have to be prudent in how they use the money to achieve such an objective. This may result in greater financial accountability.
- Compared to the bottom-up approach, the top-down budget is easier to develop and more straightforward. It is a faster process and more time-efficient as it includes only the input of the upper decision makers.

The disadvantages of the top-down budget approach are the following:

Higher level management especially in large organisations are unlikely to be in possession of the same information as those within the lower level of the organisation. The latter would have a better understanding of the financial needs in the various departments and activities. Thus, using a top-down budget approach could result in over or under funding.

- Top-down budgeting may spur departments to be inefficient especially in cases where there is overfunding thus encouraging them to use all the financial allocation even if not really needed. On the other hand, departments could underperform as a way of protest to underfunding and

argue that due to underfunding the department could not achieve the budget goals.

- The fact that the employees and staff at lower level of organisation had limited input or no input at all, may lead to them feeling resentful because their input is not valued. This might result in a lack of the motivation and commitment to achieve the budget targets.

2.5.2. Bottom-up Approach

Contrary to the imposed top-down budget approach, the bottom-up or participative budget approach encourages organisation-wide input. According to the CIMA (2008, p.306) participatory budgeting is a “budgeting process where all budget holders have the opportunity to participate in setting their own budgets.”

The organisation adopting this approach will initiate the budget from the bottom allowing the input of all the employees and staff affected by the budget. This input is then transferred up the organisation for review and modifications. There are certain guidelines imposed by the superiors that need to be followed in the process and it is them who have the final approval over the budget. The bottom-up approach makes use of the employee’s intimate knowledge of operations to formulate plans (Balakrishnan, Sivaramakrishnan and Sprinkle, 2009).

The major benefits attributed to the bottom-up approach are:

- A greater improvement in the accuracy and quality of forecasts to be used in the budget. This is because they are prepared by staff and departments at the lower level who have a greater knowledge and a better idea of what is achievable than their board of governors.
- The employees will foster a great ownership of the budget. Their motivation and commitment is improved as they are likely to work harder to achieve the budget goal that they themselves have set rather than one which was imposed from above (Smith and Riley, 2010). In his article Chabator (1995, p.22), claims that “a budget developed with genuine participation is more likely to be understood...and also may be more acceptable”.
- It encourages both lateral and vertical communication and coordination in the organisations. There is an open line about the budget expectations from the higher school administration to the school department, and the latter report back any issues, problems and feedback regarding the budget. Research carried out by Conway (1984 as cited in Smylie, Lazarus and Conyers 1996, p.181) found that “Most often, participation is thought to enhance communication among teachers and administrators and improve quality of educational decision making”.
- Better results are achieved because the employees are being empowered to identify opportunities for continuous improvement and innovative ways of achieving targets. Studies by Clune and White, (1988 as cited in, Smylie, Lazarus and Conyers 1996, p.182) indicate that “participation is positively

related to school improvement planning and to the adoption of innovations”.

On the other hand, there are various drawbacks related to the bottom-up approach.

- One of the major drawbacks of this approach is that staff and employees are focused on their individual activities and targets and budgets are prepared in isolation, overlooking what’s best for the bigger picture. Furthermore, they may lack the understanding or have limited knowledge of the overall school strategic goals and objectives.
- As already pointed out, in the bottom-up approach the budget is set by lower levels and then submitted to be combined, reviewed and altered by higher managers and the process could repeat itself before approval. Therefore, this approach is very time-consuming compared to the top-down approach where the budget process is simply dictated to a lower level. As a result of the complex nature of this process it is also more costly.
- This approach could foster budgetary ‘gaming’ through budgetary slack. This occurs when the departments intentionally misrepresent figures such as overestimating budget expenditure or underestimating revenue to make it easier for the department to achieve its budget goals. In this case upper authority must review thoroughly the budgets submitted and question certain projections given (Weygandt, Kimmel and Kieso, 2010).

- With the top-down approach the school administration that is in charge of the budget will have plenty of experience in budgeting. Dissimilarly, in the bottom-up approach the departmental staff who will perform the budget may have no expertise at all regarding budgeting, cost savings and cost estimation, to the detriment of the organization.

2.5.3. Managing Participative Budget in Schools

For many years school administrators have prepared school budgets adopting a top-down budget approach discussed previously. In these last few years, academic staff participation in the school-based decision making has become a key component to reform schools. Academic staff participation is positively related to the enhancement of educational productivity and adoption of innovations (Smylie, Lazarus and Conyers, 1996). Therefore, many schools are attempting to involve the school departments more deeply in budgetary decisions, but not necessarily all of them are using the bottom-up approach previously discussed.

According to Chabotar (1995) there are three principal models which administrators may follow with each one of these varying according to the extent in which it allows for staff participation. These are informational, consultative and participative.

Informational. In this model the school administrators prepare the budget and through regular staff meetings, memorandum and even maybe interim reports,

announce the data about the budget drivers and probable revenues. Although the staff may voluntarily comment and give feedback about such data, the school administration does not actively seek feedback from them.

Consultative. Chabotar (1995, p.21), states that “this approach combines the informational model with two-way communication”. In this model the administrators present the budget to the various school departments to review partial or complete tentative administration’s budget. In this model the administrator may ask for their views and feedback about the budget either during staff meetings or even directly as individuals. Their views and ideas may sometimes alter the tentative budgets or major drivers such as capital project budgets.

Participative. This model is very similar to the bottom-up approach where the different school departments and staff are involved directly in the participation of the budget by forming a committee and holding budget hearings. The committee includes representatives from the different departments and it also includes representatives from the school administration who assist the meetings but do not lead the process. The committee is empowered to come up with a draft budget to recommend it to the school board.

In his research survey Chabator (1995), found that many of the educational institutions allowed participation at various stages of budgeting without having a pure participative process.

2.6. School Budget Transparency

The budget is one of the most important documents within schools which may be of interest to a number of people. In fact, Corwin Press (2007, p.87) states that “Transparency and Accountability are two key concepts to keep in mind when developing and managing your school budget”.

Budget transparency provides clear information about the budget process and all other relevant information regarding the budget. Budget transparency therefore does not only occur in terms of disclosure, but also in terms of relevance, accuracy, accessibility and the production of timely information.

Schools, especially publicly owned schools, acknowledge the fact that school budget transparency is very important as it enables the budget holders to obtain budget information that is clearly explained and understandable. In this way, transparency leads budget holders to be more involved in the budget and improves accountability. Budget transparency also leads to a more responsible spending by the school administration (Florida Statute, 2011). The importance of budget transparency is also relevant to private and independent schools, but available literature was very scarce in this regards.

Budget disclosure and budget participation, discussed previously, are closely linked to each other as budget disclosure enables the budget holder to be knowledgeable about and aware of the relevant budget information needed to eventually

participate. In fact, according to the OECD (2002), budget transparency is a precondition for budget holders' participation in the budget process.

Various publicly owned schools, but especially non-state schools, are funded mainly through the parents' contribution. In these cases parents are the major school budget holders; hence their participation should be present to some degree. A study carried out in the schools of Kenya by Koross, Ngware and Sang (2009, p.75), regarding parental participation indicated that "the parental involvement in the area of school finances affected the school financial transparency". It also resulted in a positive influence on financial management outcomes, and it was recommended that parental involvement in the budget should be encouraged and increased.

2.7. Conclusion

This chapter presented the literature regarding the main themes of this research. The following chapter deals with the methodology of the research used to achieve the research objectives.

CHAPTER 3:

RESEARCH

METHODOLOGY

3.1. Introduction

This chapter outlines the research methodology and methods used to achieve the research objective of this dissertation.

3.2. Research Philosophy

It is important that any researcher adopts the most appropriate research philosophy which supports the research strategy and methods chosen. Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders, et al., 2009).

For the purpose of this study it was determined that in using an interpretivist approach a better analysis and understanding of the budgeting process in Maltese church schools may be achieved. The interpretist approach is typically contrasted to the positivist approach. When using a positivist approach the social reality is observed and the end result can be law-like generalisations similar to those produced by natural scientists (Saunders, et al., 2009). On the other hand, interpretivists believe that people's behaviour is influenced by the interpretations and meanings given to the various social situations. Therefore, it is important for the researcher to gain an understanding of these interpretations and meanings

from the individual point of view to be able to understand their world. (Browne, 2006)

Since the researcher is directly experiencing what is being observed, the epistemology (or what is the acceptable knowledge) within the interpretive approach, focuses upon the details and patterns of the situation. With regard to the aspect of subjectivism of ontology, it “holds that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence” (Saunders, et al., 2009, p.110). Axiologically, the researcher will be biased as she/he becomes part of what is being researched.

3.3. Research approach

Since the objective of the research question required gaining a close understanding of the budgetary process systems in the various Maltese church schools, an inductive approach, shown in figure 3.1 below, was deemed to be more appropriate than a deductive approach. The flexible structure of an inductive approach permits changes of research emphasis as the research progresses.

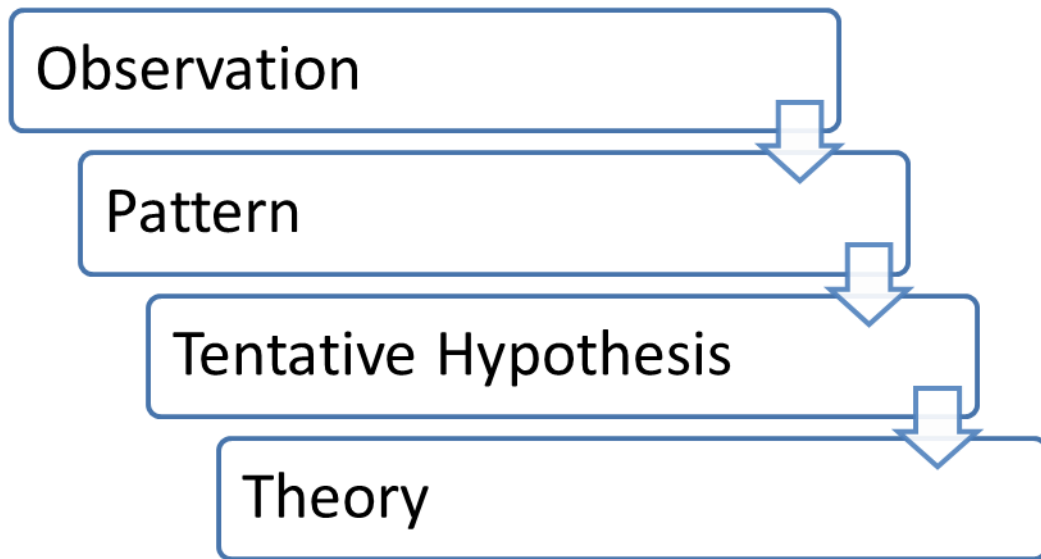


Figure 3.1 Inductive Approach

Source: Adapted from Trochim (2006)

3.4. Research strategy

A research design was formulated in order to plan in advance how data would be collected and how it would be analysed in order to reach the research objectives in the time available. For the reasons discussed previously, a qualitative approach was deemed to be the most suitable way to carry out this study. As Outhwaite and Turner (2007, p.580) state, "Qualitative research involves the studied use and collection of a variety of empirical materials – case study, personal experience, ... interview, observational,". Having considered the various strategies available, personal interviews were considered the most appropriate strategy to obtain an in-

depth understanding of the behaviour, opinion and attitude towards the research question.

3.4.1. Interviews

For the purpose of this research question semi-structured interviews were carried out to gather valid and relevant data. The interview consisted of a list of open-ended questions which were prepared based on the readings done on the subject matter and the research objectives. The interview questions were the same for all the interviewees to be able to compare and contrast the responses gathered. However, this qualitative method also allowed for the opportunity to probe answers where there was the need for further explanation. This led to discussions in areas not considered previously but which are significant to the research problem.

Prior to the commencement of the proper interviews a pilot test was carried out in order to determine if there are flaws, limitations, or other weaknesses within the interview design. A pilot study also allows for any revisions and additions to the researched questions prior to the continuation of the study (Turner, 2010). The pilot test needs to be conducted on participants who have similar interests to those participating in the proper study.

Through the analysis of data obtained from the interviews carried out as part of the pilot study, an important concept which had not been previously considered emerged, which led to the core of the research objectives. This new concept was further researched through different reading materials and new interview questions were added to the others in order to tackle such a concept. Once again the interviewees of the pilot study were interviewed about these new refined questions to attain a deeper and more informative answer and establish if the research objective was being achieved.

The interviews conducted were seven in all, and were intended to last between thirty to forty-five minutes each. Furthermore, the interviews were audio-recorded so that these could be listened to more than once in order to allow for greater analysis of the participants' answers. The interviews mainly focused on the preparation and budget participation, allocation of budget funds and expenditure, budget disclosure and budget evaluation, monitoring and control.

3.4.2. Participants

The essential data for the research was obtained through a number of personal interviews made to the church school heads or school bursars, depending on who was responsible for the school budget. Due to the fact that a qualitative approach was adopted to achieve the research objectives, a minimum number of participants were involved in the study. The study was carried out within seven different church

schools run by different religious orders situated in Malta and Gozo out of a population of forty-eight schools some of which are run by the same religious order.

The sample chosen was based on a purposive sampling together with a convenience sampling. The respondents were selected on the basis of their availability and their ability to provide the needed information. Each sample element was selected for a purpose because of the unique position of the sample elements (Grinnell and Unrau, 2011).

The seven church Schools were divided into three primary schools and four secondary schools. The selection of the interviewee also involved in differentiating schools run by lay or religious people. In fact, the three of the chosen schools were run by religious people whilst four schools were run by lay people.

3.4.3. Data Analysis

“Qualitative Data Analysis (QDA) is the range of processes and procedures whereby we move from the qualitative data that have been collected into some form of explanation, understanding or interpretation of the people and situations we are investigating.”
(Lewins, Taylor and Gibbs, 2010, p.1)

The first step conducting the data analysis was preparing the data collected during the interviews for analysis. The interviews, as mentioned before, were audio-recorded, and therefore after every interview conducted these were subsequently transcribed.

For a better analysis of data the process model of noticing, collecting and thinking described by Seidel (1998 cited by Lewins, Taylor and Gibbs, 2010) was used.

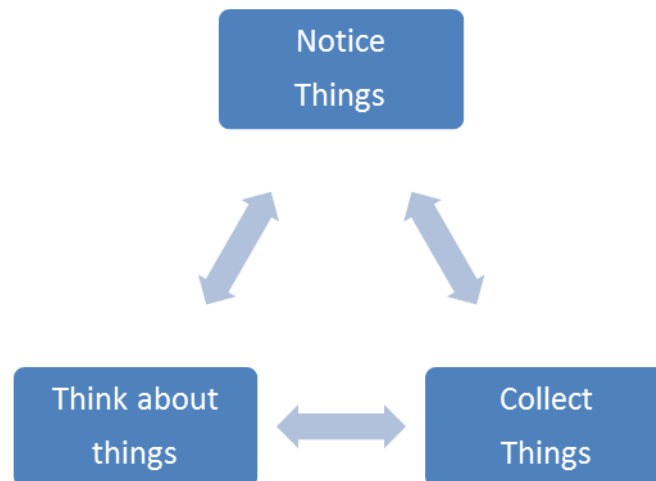


Figure 3.2 The Data Analysis Process

Source: Adapted from Siedel (1998 cited by Lewins, Taylor and Gibbs, 2010)

The transcripts of every interview were read thoroughly and the interesting facts noticed were coded on the interview schedule itself. These coded items were then collected and categorised according to the main themes identified from the theoretical framework used to assemble the data, in a meaningful way. Any general discoveries, patterns and relationships within and between categories were examined.

3.5. Limitations of the study

No matter how well a research is conducted, there is always some element of biasness which decreases its credibility. Therefore, the researcher must do the utmost to take precautions for any limitations and be careful not to be prejudiced in the analysis of data. Another flaw could be that because of the researcher's presence during the interviews, which is unavoidable, the participants' responses might have been affected.

3.6. Conclusion

This chapter outlined the research methodology which was applied throughout this study. The subsequent chapter presents the main themes that emerged from this study.

CHAPTER 4: FINDINGS AND ANALYSIS

4.1. Introduction

This chapter deals with the main themes gathered from the interviews carried out in various Maltese church schools. It mainly focuses on; how budgets are performed, how church schools are funded, their expenditures, budget participation and disclosure, monitoring and control of budgets.

4.2. Background Information

All school administrators highlight the importance to dedicate a vast amount of their time in preparing up the school budget. In fact, during the interviews the respondents emphasised the importance of performing a budget in their schools as this gives a sense of direction in the running of the school. They all believe that a good budget process increases the school's productivity and helps in the educational aspect. This is because it aids in planning wisely educational projects and obtaining better results by using the school's current resources efficiently and effectively. Good budgeting is deemed to be a sign of the school being run appropriately which is often a reassuring fact.

There is no standard budget format which Maltese church schools should follow, but every school has its own budget guidelines depending on which religious order that particular school appertains.

When preparing the school budgets the interviewees declared that incremental budgeting and zero-based budgeting techniques are used. They use a mixture of both techniques due to the fact that certain types of expenditures are prepared by referring to the previous period's budget or actual performance as a basis. Then the incremental amounts are added for the new period due to any inflation or any other changes. Other expenditures need to be calculated afresh and not based on historical data such as new projects and plans the school will undertake in the new scholastic year.

4.3. Funding of Church Schools

Estimation of revenue is usually the first step of planning a budget. Church schools need to be very careful in their revenues estimation as it is very susceptible since the amounts collected may vary radically every year.

The Agreement on Church Schools between the Holy See and the Republic of Malta, 1991, states that 'Church Schools are free of Charge.' Therefore, apart from estimating revenues wisely, it is also crucial that Maltese church schools plan a good strategy to seek different sources in order to finance the ongoing expenditures of the school.

The main bulk of church schools' revenue comes from parents' donations. It is made clear to parents by the heads of school that it is not an obligatory sum but a free

contribution to subsidise the school expenses. The donations are requested by the heads at the beginning of every scholastic year through a parents meeting and often through a circulation sent at home. In many cases parents are given an estimated amount the school will likely incur in that scholastic year as budget expenditure. This would have been earlier calculated in preparing the school budget. Parents are also presented with the number of pupils attending the school. In this way, parents will be able to make their own calculations about the amount the school will need from every family to cover its expenditures.

Another form of revenue for the Maltese Church Schools is the government grant agreed upon in the Agreement on Church Schools between the Holy See and the Republic of Malta, 1991. The government is in charge of funding every Maltese church school for the salaries of the academic staff which falls under the same categories envisaged by the state schools. Salaries pertaining to religious personnel serving in church schools are lower than the salaries of other teachers. This is because they are paid the difference between their religious contribution and the salary received by other teaching staff.

The government is also entitled to give a 10% on the total gross amount paid in salaries to every school in order to cover the school's general expenses. Some of the interviewees declared that usually such an amount covers only a small amount of their current expenses. However, this 10% may be used by the head of church schools as deemed best. Unlike state schools, church schools are not bound by the

government to use these funds solely for general expenditure purposes, but they are free to direct these funds to other needs or projects.

Other ways which render income to the school are the fundraising activities organised by the school as well as by the PTA. The main aim of organising fundraising activities is to collect money for a specific project, for example to collect money for new IT equipment. Here the teachers and student council are involved in coming up with innovative ideas of fundraising activities, promoting them as well as financing them.

Maltese Church schools also receive an amount from the collections gathered in every parish within the Maltese diocese made once a year. The Archbishop's Curia divides such amounts to every church school according to the number of students attending the school. A few of the respondents also claimed that another form of revenue is by hiring the school premises during the summer season which is a good way to increase the school's revenue. This is so, because the school will be receiving income during a period where usually other forms of revenue are lacking.

4.4. Expenditure

Church schools' budget expenditure is mainly divided into current and capital expenditures. Similar to estimation of revenues, the estimation of expenditures is critical as any underestimation of costs may lead to a devastating result.

The main current expenditure church schools face are wages and salaries. Although the government's grant given according to the agreement covers most of the salaries, there still remains a large number of the staff whose salaries have to be paid by the church school. All of the respondents recognised the fact that the wages and salaries are the biggest headache and bulk of the budget expenditure. Other current expenditures mentioned were water and electricity bills, teaching materials supplies and stationery.

Maintenance of the school building is also a large part of the budget expenditure and a considerable amount of money is spent on maintenance every year. It was a common response that maintenance requires a lot of effort especially those church schools whose building is very old. Examples of maintenance expenditure mentioned by respondents are re-painting the classrooms, repairs on the water and electricity conducts and repairs on the furniture and fittings of the classrooms.

Every year a substantial amount of money is spent by church schools on capital expenditure in order to improve the school environment and enhance better education. For example, many of the respondents declared that to aid students in their educational aspect in these last few years, money was being spent to buy interactive whiteboards. In this regards, church schools have to budget wisely to cover such a huge expenditure because as claimed by the interviewees, these are not covered by the yearly budgeted revenue. Hence, it is very important that proper

planning is made and in fact, many confirmed that it is by budgeting wisely beforehand that such projects can be carried out.

4.5. Budget Participation

The heads of school, who are usually paid to administer the school are often also the ones who are responsible for preparing the budget as part of their duties. The mentality that teachers are remunerated solely to teach still persists in most schools and due to such a mentality a top-down budget approach is applied, where the school leader is authoritarian in the running of the school, thus making all the important decisions in the budget allocation with very scarce consultations.

Fortunately though in some cases there is a shift towards a more participatory budgeting where the head of school tries to involve various departments and staff to take part in the budgetary decision-making. This approach however, remains minimal.

In fact, all of the respondents said that the major contributors in the involvement of the preparation of the school budget were the head of school and the school bursar. To a different extent the staff was also involved in some of the budgetary decision-making.

The majority of the heads use a consultative participation approach where the head of school teams up with the bursar to clearly identify the school educational

direction, parameters and priorities for the coming year. They seek input from the staff through a two-way communication, whereby staff meetings or personal encounters with specific personnel are organised in order to consult with them regarding their needs and to prioritise according to the availability of funds. Their ideas and needs may alter the tentative budgets or the major drivers such as capital projects budget.

A few of the respondents added that the teachers apart from being consulted in the planning stage of the budget are also sometimes involved in decision-making issues when it comes to their related areas.

However, none of the respondents actually involves the teachers in the decision-making of the global budget. Some of the reasons given for not involving them were;

- That it would be too complicated and time consuming to involve all the school staff in the planning of the budget.
- Moreover, there is this idea that teachers are not interested in participating in the school budget as their aim and interest is to teach their students.
- Teachers will most likely lack the expertise regarding budgeting and lack the understanding of the overall school's objectives as they are more concerned about their particular department needs.

The reason that all the interviewees being lay, community and foundation run schools have a low level of budget disclosure and transparency to subordinates,

discussed further on in this chapter, may be interrelated to the reasons mentioned above. Moreover, given that subordinates are left in the dark about what is happening due to the fact that there is limited disclosure, any interest and motivation to participate in the budget is further minimised.

In fact, pure participatory budget was not evident in any of the schools involved in this study. A full participatory budget is when the staff is directly involved in developing the budget by forming a committee (with the project leaders or department heads) and holding budget meetings, having the head of school assisting such meetings but not leading the process. The committee drafts the budget in these meetings and then recommends it to the board or principal of the school.

Nonetheless, irrespective of the fact that there is reluctance for the teachers' participation in the school budget, all of the interviewees agreed that improvement in the budget performance can be achieved with a greater involvement by the teachers. Moreover, studies such as Conley, Schmidle, & Shedd, (1988 as cited in Smylie, Lazarus and Conyers 1996, p.181) show that in the majority of cases, increasing teacher's participation in the budget would lead to an increase in their job motivation since they feel that they are being heard and empowered with new responsibilities.

4.6. Budget Disclosure

Many of the respondents held that the purpose of performing a budget is for the needs and running of the school and it is mainly set for internal purpose only, that is, for those people who administer the school, being the head and the school bursar. This statement reflects the volume and the way in which budgets are disclosed by the head of schools to different categories of people.

An interesting issue was identified from the data gathered regarding budget disclosure. Table 4.1 distinguishes and categorises those schools which are run by religious people, lay people or are a foundation. It also shows the different levels and amount of their budget disclosure.

Level of Disclosure	Lay run	Community run	Foundation run
Disclosure to superiors (e.g. provincial)	Low	High	High
Disclosure to subordinates (e.g. fellow teachers)	Low	Low	Low

Table 4.1 Budget Disclosure Levels

The different Church schools in Malta are run by different religious orders and it was interesting to note that there was quite a radical distinction when it came to disclosing the budgets to their superiors. The difference was noted between the Church Schools having lay people as heads of schools and those who are religious people, or where the school is a foundation. In fact, Table 4.1 shows that when the school is run by lay people there is a low budget disclosure to upper authority and in contrast to those schools run by religious people, or are a foundation.

All the respondents who were religious people emphasised the fact that they always feel the importance to disclose their budget to their superiors/ provincial bursar even if it may not be required to do so. The budget is run through and discussed with their superiors and approval is sought before moving on especially regarding any new school projects to be engaged in. Budgets are also disclosed to their superiors in cases where there are any revisions made during the year.

As religious people they are requested by their superiors to run one of their religious institutions, and as they form part of that community, they feel the responsibility that they should be financially accountable to their religious order regarding such an institution. Moreover, all the respondents agreed that they find budget disclosure to their superior very helpful as the superior may give outlooks related to the broader strategic plan of the religious order which includes the school institution, given their position within the given order. Thus, such factors need to be considered even in the school budget.

The same applies to when the school is a foundation. There is an obligation of disclosing the budget to the board of governors every three months. However, the bursar pointed out that she feels duty bound to disclose the budget to the board every month. In doing so, the budget is more effectively controlled and monitored since it is being reviewed by a third party.

On the other hand, the participating church schools run by lay people do not disclose the budget to their superiors as it was never asked of them to do so. Moreover, no personal need is felt to disclose the budget to their upper authority. In fact one of the respondents claimed that having no reference to upper authority, often implies that the nature of the work is often a very lonely one.

The only time when the budget is disclosed to their superiors is; if a very large capital project needs to be carried out, or else a budget deficit is attained and explanations have to be made for such a deficit.

When it comes to disclosing the school budget at a subordinate level, as seen from Table 4.1 above, there is no distinction between who is running the school as all types of heads of schools agree that the budget is not disclosed to subordinates such as fellow teachers. The majority of the heads do not disclose the general budget to their staff because they do not deem it to be a necessity. When disclosure does take place it happens only with specific teachers when their teaching area is concerned. In such cases there would be the need for further discussion and consultation on

such budgeted areas, or to inform the concerned teachers of a huge capital project that is projected for the forthcoming years.

An essential factor that reduces the involvement and participation of the teachers in the budget, as mentioned before, might be the lack of budget disclosure and transparency. Not knowing how money is spent or how much certain items cost will decrease, or in extreme cases kill the teacher's motivation to give their input to be more efficient and effective with regards to the financial aspect.

Irrespective of the fact that all of the participants agreed that budget disclosure to subordinates is not a priority, one of the respondents claimed that they are very transparent with their staff and when it comes to the budget they illustrate it to their staff and explain the prioritisations made for the coming year. In this way everyone understands why certain expenditure has been deferred for future years. In this circumstance teachers appreciate the fact that they are working like a team and are more willing and motivated to be involved.

A similar situation occurs with the parents of the pupils attending church schools. The majority of the respondents claimed that they do not disclose the full detailed budget to parents. During the parents meeting usually held at the beginning of the scholastic year, they inform them about the planned projects for the coming year and their estimated expenditure. In this way the parents would know where their donations are going. The respondents also added that budget disclosure is also done indirectly through parents day or during any parents' activities where these

may visually observe the new projects being undertaken. On the other hand, one of the interviewees declared that a detailed budget is given to parents. This is done mainly for reasons of accountability, because after all it is the parents' money that is being used.

4.7. Budget Control

The school budget is an important tool in the school administrator's hand thus it is vital that budget control is performed. Jones and Pendlebury (2000, p.36) stated that "Budgetary control involves the continuous measuring of the actual expenditures and output and comparing these with the budgeted position".

Budget controls are even more essential to church schools as control must take place both on the expenditure side as well as with regards to the income being received. This is mainly because parents' donations are collected throughout the scholastic year, thus, the amount remains an unknown factor till the end of the year. Furthermore, one of the respondents claimed that since it is not possible to control the income received, a major emphasis is made on controls over the budget expenditures. For example, if during budget controls one observes that less was collected in terms of donations than it was estimated, the school is urged to be more attentive on how money is spent. A revision of the budget will have to be made to revise the new actions that would have to be taken to reflect this new situation.

All of the respondents agreed that performing ongoing controls enables them to react quicker on any adverse amount in the budget. This would in turn allow them to be run more effectively. Some schools hold monthly meetings among the top school administrators to discuss budget performance. When budget variances are noted the cause of such variances is identified and appropriate actions are taken.

When incurring a budget deficit, a few respondents declared that they turn to their provincial bursar for money to cover such deficit. When this happens, they must disclose the budget to the provincial and give a thorough explanation of why such a deficit was incurred. Then they make it a point that the amount of money given by the provincial is taken into consideration in the following year's budget so that they would be able to recover and return the money back.

Other church schools however, are run independently of their provincial in this regard and it is up to the head of school and administration to find ways of collecting such money to recover from their deficit, although the provincial is still informed of such a problem. In this way the school is encouraged to implement proper fiscal controls in the first place so that no deficit is incurred.

4.8. Conclusion

This chapter analysed and highlighted the main themes which emerged from the data gathered throughout this study. The forthcoming chapter provides possible recommendations to this study and identifies areas for further research.

CHAPTER 5:

**CONCLUSION AND
RECOMMENDATIONS**

5.1. Introduction

This chapter summarises the key findings that emerged from the research carried out and considers possible recommendations for Maltese church schools in the light of the objectives set out in the initial chapter of this research. Furthermore, it proposes possible areas for further studies.

5.2. Summary and Recommendations

The purpose of this dissertation was to analyse the budgeting system in Maltese church schools. These schools are mainly financed by the parents' donations. It is therefore even more crucial for church schools to plan ahead and adopt a good budgetary process to achieve the desired school objectives by making good use of their funds.

5.2.1. Improvement in Budget Participation

After analysing the research findings it was concluded that in the budgetary process, the head of church schools are more inclined towards adopting an authoritarian budget approach rather than a participative budget approach.

Budget participation should therefore be encouraged and increased by the heads of church schools. Involvement by academic and non-academic staff in the school's budget would increase the ownership to the school financial management and provide the school with more motivated staff, innovative ideas, and more precise forecasts. Many of the respondents were also of the idea that with more involvement by the staff, the school budget objectives would be easier reached.

Church schools may increase and manage a participative budget by developing a budget committee and conduct budget hearings. The committee would be empowered to recommend budgets to the board or head of school. The committee members should be broadly representative of the school financial administration, academic staff from different departments, and support staff such as secretaries and maintenance staff.

For this process to be effective, the board or head of school should communicate to the budget committee any limitations or constraints to its authority so as to avoid unrealistic expectations. Due to the fact that a participative budget takes a longer process than an individual process, it is important to allow more time, possibly by starting the budget process at an earlier date. Furthermore, it is suggested that the committee members receive some form of training so as to avoid conflicts that may arise due to lack of knowledge regarding financial background.

It is encouraged that the budget committee members' representatives not only report to their particular department at regular intervals, but also seek their advice.

Three to four meetings should be held by the budget committee with the rest of the school staff regarding the budget process and its context. In this way this committee could ask for the staff's opinions about the draft budget in order to make any changes if deemed necessary, as well as informing them about the final budget after this is submitted and reviewed by the school board or head of school. All these meetings should involve two-way communication where anyone from the school staff may have the opportunity to influence the budget process.

Adopting a participative budget process may be a radical change and schools may lack the climate of trust and openness needed for such a process. Therefore, the implementation of the budget committee should be done gradually and slowly. A gradual implementation would allow for an evaluation of previous years, to help improve forthcoming years. For instance, the first year would involve more budget committee members meetings and less general meetings for all the staff than subsequent years.

5.2.2. Budget Transparency and Accountability

Another interesting result emerging from this study concerns budget disclosure to superiors. There was a radical distinction between church schools run by lay people and church schools run by religious people or a foundation. When church schools are run by a foundation or religious people the level of disclosure to superiors was high as pointed out in chapter 4, in contrast to schools run by lay people. The

schools which disclosed the budget to their superiors all agreed that it is beneficial having a third-party reviewing the budget with the knowledge of the school strategic objectives.

The church schools run by lay people should thus be encouraged to increase their budget disclosure to superiors. This may be done even through the budget committee discussed previously, where the governing board and superiors are not only involved at the end when the budget is recommended, but also through informal communication throughout the process on several levels. In this way, the school budget would include the view of both the board and the superiors.

On the other hand, based on the findings of this study, the majority of church schools irrespective of who run them, have a low budget disclosure level when it comes to the lower subordinates, which also include parents, apart from school employees. When disclosing the budget, an organisation is showing that it is accountable and transparent. Recently in the local media, complaints were raised about the lack of transparency and accountability regarding church schools' expenses and funds, especially regarding donations (Carabott, 2012).

Accountability is very important for church schools because of the reputational risk involved. When considering that they depend heavily on parents' donation it stands to reason that some form of disclosure is carried out. The findings show that parents are only disclosed small parts of the budgets usually done in an indirect way during a parents' meeting. Increase budget transparency by issuing interim budget

reports for instance, or at least detailed annual budget reports showing exactly to which areas these funds are being allocated, would probably be highly desirable. In this way, church schools would be more accountable while minimising the reputational risk in terms of fraud or misappropriation of funds.

5.3. Further Research

This study has sought to examine and analyse the current budgetary system in Maltese church schools through a qualitative approach. A similar study was carried out by Chircop (2009) to analyse the budgeting system in Maltese State schools. Therefore, an area of further research would be the analysis of the budgeting system in Maltese private schools using a qualitative approach. In this way, an overall analysis may be carried out regarding school budgeting within the local context. Furthermore, another study about budgeting system in schools should be made using a quantitative survey approach in all Maltese schools. This study would permit results to be generalised across the whole Maltese population.

5.4. Concluding Remarks

From this dissertation one may conclude that the Maltese church schools thoroughly understand the importance of an effective budgetary process for the improvement of the school's productivity and educational aspect. However, there is

still room for improvement especially in the areas of budget participation and disclosure.

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Appendices

Appendix A: Guidelines for the Interview

What do you understand by a budget?

Is a budget performed in your school? / If the budget is not prepared how does the system of funding function?

Is there a specific person who co-ordinates the school budget?

Who is involved in the preparation of the school budget?

- Is staff encouraged to participate in the preparation of the budget? If yes to what extent?

For whom is the budget set?

Are there any guidelines which are followed when preparing the budget?

How is the budget structured?

- What are the main revenues of the school?
- How are donations (main income) calculated and collected?
- What are the main school expenses?
- Is there a distinction between current and capital expenditure?
- How are the revenues and expenditures calculated for each year? (if incremental budgeting or on a zero based technique or any other)

Are budget controls implemented in place? If yes what type of controls?

Are actions taken for a negative variance? If yes, what?

Is the budget disclosed to your superiors?

Is budget transparency engaged in with your staff and students' parents?

Do you think that with a good budget process the school's productivity would increase?

Appendix B: Letter of Introduction

L-UNIVERSITÀ TA' MALTA
Msida MSD 2080 - Malta
DIPARTIMENT TA' L-ACCOUNTANCY



UNIVERSITY OF MALTA
Msida MSD 2080 - Malta
DEPARTMENT OF ACCOUNTANCY

Tuesday, 2nd August 2011

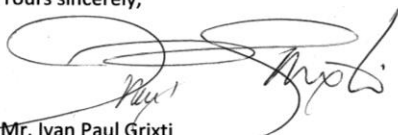
Dear Madam/Sir,

Ms Marie Therese Dimech is a Bachelor of Accountancy (Hons) student reading through the last year of the degree programme. In the course of her academic studies and assessment she is preparing a dissertation titled Budgeting in Maltese Church School: An Analysis

As part of the dissertation project she is required to collect data via interviews and/or questionnaires. In this context you are kindly being asked to assist Ms Marie Therese Dimech by providing her with any information that you can offer.

The Department of Accountancy of the University of Malta would be very pleased with your collaboration. All responses will be used by the student for research purposes only. Furthermore such responses will be treated with the confidentiality that is applicable in the writing of the research project.

Yours sincerely,


Mr. Ivan Paul Grixti
Dissertation Supervisor

Appendix C: Agreement on Church schools

The HOLY SEE and the REPUBLIC OF MALTA,

Bearing in mind, on the part of the Republic of Malta, the principles enforced by its Constitution and by those International Bodies to which it adheres, and, on the part of the Holy See, the documents of the Second Ecumenical Vatican Council and also the norms of the Code of Canon Law;

acknowledging the primary right of parents to choose the schools they deem best suited for the education of their children;

acknowledging as well the right to freedom of education and the consequent duty of the State to make possible in practice the exercise of this right, without discrimination;

considering the public character of the service offered by Church Schools to Maltese society;

have agreed that it is opportune to reach a new and definitive Agreement on Church Schools.

Wherefore, the Holy See, as represented by its Plenipotentiary Msgr. Pier Luigi Celata, titular Archbishop of Doclea, Apostolic Nuncio, and the Republic of Malta, as represented by its Plenipotentiary Dr Ugo Mifsud Bonnici, Minister of Education and the Interior have by common accord established as follows:

Article 1

The State recognizes as “Church Schools”, the subject-matter of this

Agreement, the schools which, even though belonging to or directed by various canonical legal persons, are recognized as such in writing by the competent diocesan Bishop, and are subject to him according to canon Law.

Article 2

1. The State recognizes the right of the church to establish and direct its own schools according to their specific nature and with autonomy of organization and operation, while observing the general regulations envisaged by the State's educational policy regarding the "National Minimum Curriculum" and the "National Minimum Conditions" put into effect in State Schools.
2. In the event that a Church School is found to be in breach of such general regulations, as actually put into effect in State Schools, the Minister of Education, before adopting any provision, shall be bound to grant a respite of twelve months within which the School, saving any other right guaranteed by law, shall bind itself to conform to those same regulations.

Article 3

The Criteria for admission to Church Schools are freely established by the competent ecclesiastical Authorities in such a way that, without discrimination, the public character of the services offered by the same Schools to those who share their educational principles is assured. This does not exclude the possibility, in line with the proper mission of the Church and in the judgement of the same ecclesiastical Authorities, of reserving some places for less privileged categories, or in view of particular socio-familial needs.

Article 4

The Church shall complete the process of reorganization of its Schools in such a way that all the Primary and Secondary schools will have complete cycles of classes as from the scholastic year 1992/1993.

Article 5

Church Schools are free of charge. Free tuition, already put into effect in Secondary Classes, will be extended to the Primaries and Kindergartens as from the first January 1992 and from the first January 1993 respectively.

Article 6

Church Schools are financed by the Church and by the State according to the following criteria:

1.

- a) The Church makes available to its own Schools such buildings that it owns in which they are established.
- b) There shall also be to the exclusive charge of the church: the maintenance and possible future extension of the schools' buildings; the renting from third parties of immovable property for use as schools; the remuneration to Spiritual Counsellors; the services rendered by persons not forming part of the ordinary teaching or non-teaching staff of the Schools; the board and lodging of Maltese and non-Maltese students; the tuition of any non-Maltese students.

The Church shall see to the financing of the above costs through: the raising of funds; free donations from parents or others; an annual collection in each diocese; boarding fees; tuition fees of any non-Maltese students; any other source of income.

2.

- a) There shall be to the charge of the Church and the State; the remuneration of the teaching and non-teaching staff, inclusive of the general expenses estimated at ten per centum of the total amount of the remuneration paid to the teaching and non-teaching staff, taken gross before the deduction

corresponding to the contribution of Religious personnel as in article 6, 2.b, ii).

b) The Church shall contribute towards the financing of the expenses mentioned in article 6, 2.a) according to the measure resulting from the sum:

- i. of the yearly income of that part of the capital, accruing from a better development of its immovable property, which it shall assign to this purpose and which it shall entrust to the Foundation for Church Schools;
- ii. and of the contribution offered by the Religious serving in Church Schools, corresponding to the difference between the remuneration properly due to them as established in article 6, 2.a) and 6, 2.d),
- iii. and that actually received by them according to the decisions of the competent ecclesiastical Authorities.

c) The State shall contribute towards the financing of the same expenses mentioned in article 6, 2.a) according to the measure corresponding to the difference between their total amount and the contribution of the Church mentioned in article 6, 2.b).

d) For the purpose of determining the remuneration of the teaching and non-teaching staff, it is established that:

- i. the teaching staff includes the same categories envisaged in each Stat School;
- ii. the number of teaching and non-teaching staff is established in relation to operational requirements and in proportion to the number of students in each school, according to the criteria also used in State Schools;

- iii. the remuneration of the teaching and non-teaching staff, including also the social security contributions and bonuses prescribed by law, is established, for the same service and qualifications, on a par with that paid in State Schools.

Article 7

In order to make it possible to determine in due time the financial contribution of the State, the Commission for Education of the Maltese Episcopal Conference shall submit to the Ministry of Education, by the thirty-first August of every year, the list of the teaching and non-teaching staff, both Religious and lay, of Church Schools, deemed to be required for the following scholastic year, with an indication of the respective remuneration of each.

Article 8

1. The Government shall forward its contribution, free of all taxes, to the Fund for Church Schools at the Commission for Education of the Maltese Episcopal Conference, in six instalments, at two months' interval, in advance, by the fifteenth day of the months of October, December, February, April, June and August.
2. In view of the different dates of the commencement of the financial years of the Government and of Church Schools, in the months of October and December the Government may continue paying instalments of the same amount as in the preceding scholastic year, provided that the difference will be settled in the first days of the following Government financial year.

Article 9

The State guarantees to the teachers of Church Schools the same facilities envisaged for those in State Schools: in-service training courses, scholarships, etc.

Article 10

1. The Stat shall guarantee to the students of Church Schools the same allowances and stipends granted to students in its own Schools, and shall also guarantee to them those other facilities enjoyed by students in State Schools in ways to be agreed upon by the Maltese Episcopal Conference and the Ministry of Education and, in the event of lack of agreement, through the procedures established in article 15.

2. The State, moreover, recognizes parity between qualifications obtained at Church Schools and those awarded by its own Schools, for all intents and purposes for which these qualifications may be required, without any discrimination.

Article 11

The Church places at the disposal of its Schools the buildings and their annexed facilities in the actual state in which they are to be found. Any restructuring or improvements of these buildings that the Government, now or in the future, shall deem necessary shall be at the charge of the Government, saving however the latter's right to be indemnified, taking into account the time that would have elapsed, if ever the same buildings would no longer be used as schools.

Article 12

If at any time the canonical legal persons concerned, with the approval of the Maltese Episcopal Conference, so request, the Government undertakes to obtain from Banks to be designated the concession of loans at reduced rates of interest to effect works of restructuring, improvement or expansion, deemed useful to improve the efficiency of the buildings or of the installations of Church schools, or to ensure to a larger number of parents the exercise of their right of choice of education for their children.

Article 13

Church Schools, given their social function and their exclusion of profit motive, are

exempt from import-duty on goods destined to be used for their own activities, and are subject to the tariffs applicable for domestic or non-commercial use as regards public utilities.

Article 14

1. The present Agreement shall come into force, saving the provisions of articles 4 and 5, when the Parties exchange an official communication that the full implementation of all the provisions of the same Agreement through the appropriate legal instruments according to their respective legal systems has taken place.
2. The present Agreement replaces all other previous agreements on Church Schools.

Article 15

1. If in future there shall arise difficulties of interpretation or of application of the provisions of the present Agreement, the Holy See and the Republic of Malta shall entrust the search for an amicable solution to a Joint Commission that shall be composed of the Apostolic Nuncio to Malta and of the President of the Maltese Episcopal Conference or of their delegates for the Holy See, and of the Minister of Foreign Affairs and of the Minister responsible for Education or of their delegates for the Republic of Malta.
2. In case of default of performance of what is contemplated in the preceding paragraph, or in the absence of an amicable solution of difficulties of interpretation or of application of the provisions of the present Agreement in the manner contemplated in the preceding paragraph, or in the case of default of performance of the obligations undertaken by virtue of the present Agreement, saving always the rights of the Parties at international law, an ecclesiastical entity or the Government which consider themselves as being due any obligation whatsoever deriving from this same Agreement, shall have the right to take the appropriate legal measures against the party not fulfilling its

obligations before the Courts having jurisdiction and competence.

Done at Valletta, Malta, on the 28th day of November, 1991, in two originals in the Italian and English languages, both texts being equally authentic.

For the Holy See

For the Republic of Malta