

**EVALUATION OF THE ROLE OF CONTROL SYSTEMS ON FINANCIAL
MANAGEMENT IN PUBLIC SECONDARY SCHOOLS: A CASE OF KAKAMEGA
CENTRAL DISTRICT.**

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KEY WORDS: Control systems, Financial control systems financial management non- financial control systems:

ABSTRACT

- Governments around the world recognize the importance of education for personal and economic development and they invest huge sums of money on education annually. The huge investment on education by the government, parents and other stakeholders therefore calls for proper use and control of these resources. The GOK has put measures to ensure effective management of funds in schools like sending auditors to schools every year,

insisting on public secondary schools keeping proper books of accounts, authorization of any payments by the BOG and non cash payment of tenders among other measures. Despite the control measures put in place some funds still get to wrong hands due to misuse and misappropriation. It is on the basis of the misappropriations that the study seeks to evaluate the role of control systems on financial management of public secondary schools in Kenya. The study will be based on Agency Theory and Reliability Model. The study will be guided by the Independent Variable - Control Systems, the Dependent Variable - Financial Management and the Moderating Variable- School Factors. Descriptive survey research design will be used. Census technique will be used to get information from principals' bursars and other 8 members of the tendering committee in each school because they all hold key information and to avoid bias. The target population will be 190. This will consist of 19 principals, 19 bursars and 152 members of the tender committee from 19 public secondary schools in Kakamega central. Primary data will be collected by use of questionnaires and structured interviews, while secondary data will be collected through document analysis of financial records. Reliability of the research instruments will be tested through split half method. Validity will be tested through expert analysis of the research instruments and a pretest of the questionnaires in Kakamega south district. Both quantitative and quantitative data will be collected. The collected data will be coded and classified then entered into the computer to obtain descriptive statistics such as; frequencies, percentages, mean median, mode and variance by use of a tool such as SPSS. The data will then be presented in form of tables, charts and graphs. The study may add to the existing literature on control systems, it may be used by policy makers to improve financial management in public secondary schools and may also help managers like principals and bursars to improve on their financial management practices.

1.0 Background to the Study

Governments around the world recognize the importance of education for economic and social development and invest large sums of money in their budget in it, (Patrinos, 2000). The ever growing demand for education, the resultant expansion of education systems, rising costs in education because of inflation and the need for more sophisticated equipment and facilities have

all led to the massive spending in education all over the world. In 1960 the world spending on education was 3.2% of the world's total spending and increased to 4.8% by 1974. Investment in education remains one of the most cost effective ways of reducing poverty, boosting economic growth and promoting human rights [IPAR, 2004]. In USA, there has been free public education since 1950 which is funded at the state and local level but is federally mandated (School Financial journal 2012). In England 94% of students receive free education from public funds. In Nigeria, Basic universal education is compulsory from primary to junior secondary and is funded by the state. In Kenya in 1963 the MOE was allocated 4.6 million Kenya shillings (18% Of the budget) this increased to 277 million in 1985 which amounted to 35% of the budget (Ayot and Briggs 1988). In the fiscal year 2006/2007 the GOK spent 108 billion Kenya shillings which increased to 119.5 in the fiscal year 2007/2008. In 2011 the allocation was about 200 Billion [Siringi and Macharia 2007]. Secondary education has been relatively expensive and many pupils never saw the light past standard 8. The GOK thus in 2008 initiated subsidized secondary education, where the government has been paying Kshs.10, 200 for every child in secondary school. Even with the Subsidized Secondary Education, parents especially with children in boarding secondary schools still have to part with reasonable amount of money. On average it takes about Kenya Shillings fifty to one hundred and twenty thousand to sustain a student in public secondary school for one year. Taking into account the huge investments, measures must be put in place to ensure these funds are only used only for the intended purpose and that every coin is accounted for so that maximum benefit can be obtained from these investments. Governments all over the world have put control measures to ensure proper use of these funds. Despite the measures in place some funds are still misappropriated. In India (Education audit report 2007) found out that mismanagement still occur in schools due to lack of

adherence to guidelines like; Procurement without tender, non maintenance of records, irregular assignments and avoidable expenditure. In Nigeria, a study by Okon et al(2011)in Akwa Ibom state Nigeria, found out that financial mismanagement still occur due to improper use of control measures. In Ghana a study by oppong (2011) found out that financial irregularity continued to persist in senior high schools due to laxity in controls and disregard of financial rules and regulations. The GOK has put in control measures to ensure efficient management of finances in public secondary schools like sending auditors annually to schools, non cash payment of suppliers, tendering procedures, budgeting procedures, having proper books of accounts and authorization of any expenditure done in these schools. Despite the control measures put in place by the GOK somehow some funds are still swindled and such moneys are misappropriated and go to the pockets of a few. There seems to be some challenges and loopholes that still exist that make it possible for some school principals, bursars, account clerks, and BOM members to be able to misappropriate school funds. A study carried out by IPAAR in 2004 found out that the bursary schemes put in place by the GOK was being abused by the principals and other stake holders. The bursaries were awarded to their relatives, many from less deserving backgrounds. Some heads used the money for their personal needs. Politicians and some DEOs were also found to interfere with the allocations. A study carried out by Wichenje et al (2012) showed that in the former western Kenya, an average of 17 head teachers were implicated in misappropriations of funds and other school property every year since 2007. In Kakamega Central district the figures were an average of 6 head teachers every year. These misappropriations involve millions of shillings. This impact negatively on the smooth implementation of the school programmes and denies innocent students the right to get the best

from their secondary cycle. It is on this basis that the study seeks to evaluate the role of Control systems on financial management of public secondary schools in Kenya.

2.0 Statement of the Problem

Poor financial management in an educational institution leads to inefficiency, fraud, error, manipulation and misuse of financial resources (Okumbe2007). The GOK, parents, and other stake holders spend huge sums of money to maintain students in public secondary schools. Considering this huge investments it would be quite detrimental if these funds are misappropriated and not used for the intended purpose. The GOK has therefore put in place control systems to ensure proper financial management in public secondary schools, these measures include; tendering procedures like non cash payment of tenders to suppliers, authorization of expenditures by the principals and BOM members, sending auditors to schools annually among other measures. Despite these measures misappropriations still take place in secondary schools. A study carried out by IPAAR in 2004 found out that the bursary schemes put in place by the GOK to assist bright children from poor families was being abused by the principals and other stake holders. A study carried out by Wichenje et al (2012) showed that in the former western province, an average 17 head teachers were implicated in misappropriations of funds and other school property every year while in Kakamega Central district the figures were; an average of 6 principals every year from 2007-2009. Considering these losses there is need to assess whether the control systems put in place by the GOK are effective in managing the finances. It is on the basis of the aforementioned problems that this study seeks to evaluate the role of control systems on financial management of public secondary schools in Kakamega Central District, Kakamega County.

3.0 General and specific research Objectives/Research questions

3.1 General objectives

The main objective of the study was to evaluate the Role of control systems on financial management of public secondary schools in Kenya.

3.2 Specific objectives

Specifically the study sought to;

- i) Identify the control systems put in place in public secondary schools
- ii) To analyze the impact of auditing on financial management of public secondary schools in Kenya.
- iii) To assess the role of budgeting on financial management of public secondary schools in Kenya.
- iv) To determine the extent to which accounting procedures are adhered to in financial management of public secondary schools in Kenya.
- v) To assess the effects of non financial controls on financial management of public secondary schools in Kenya.

3.3 Research Questions.

The study sought to answer the following research questions.

- i) What are the control systems in place in public secondary schools?
- ii) What is the impact of auditing on financial management of public secondary schools in Kenya?

- iii) What is the role of budgeting on financial management of public secondary schools?
- iv) Are accounting procedures are adhered to in financial management of public secondary schools?
- v) What is the effect of non financial controls on financial management of public secondary schools?

3.1 Research hypothesis

- i) All public secondary schools in Kakamega central apply control systems put in place by the government
- ii) Auditing improves financial management
- iii) Budgeting enhances financial management
- iv) Accounting rules are adhered to in public secondary schools.
- v) Non financial controls improves financial management

4.0 Review of literature

Agency theory suggests that when the owners of firm leaves management in the hands of other people, then the management and other employees are referred to as agents while the owners are called principals. The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders. These relationships may not

necessarily be harmonious; indeed, agency theory is concerned with the so-called agency conflicts, or conflicts of interest between agents and principals. When agency problem exists, it gives rise to agency costs which are expenses incurred in order to sustain an effective agency relationship e.g. offering management performance bonuses to encourage managers to act in the shareholders' interests. Agency theory in a formal sense originated in the early 1970s. Some noteworthy scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael Jensen, William Meckling, and S.A. Ross. The problem arises when the two parties have different interests and asymmetric information (the agent having more information than the principal) such that the principal cannot directly ensure that the agent is always acting in the best interest of the principal. They suggest that various mechanisms may be used to align the interest of the agent with those of the principal. These may include piece rates, commissions, profit sharing, efficiency wages, performance measurements or threat of termination of employment. Audit Quality Forum suggests that principles appoint agents and delegate authority to them. The principals put trust in the agents, however because of information asymmetry and differing motives, the principals may lack trust in their agents and may therefore put in place mechanisms such as audit to reinforce this trust. Concern about trust and reliability of financial information helps to explain why the audit is an important mechanism for shareholders to ensure that the directors are running the company in the shareholders best interest.

Reliability Model describes the probability of a system completing its expected function within a specified period of time. It is the basis of reliability engineering, which is an area of study focused on optimizing the reliability, or probability of successful functioning of systems such as airplanes; linear accelerators and any other product. It developed from the mainstream of

probability and statistics. It was originally a tool to help nineteenth century maritime insurance and life insurance companies compute profitable rates to charge their customers. Stratton (2007) in his reliability model in accounting makes it clear that when process and system reliability estimates are formulated, comparison with past data for the firm or with other firms (a form of benchmarking) may provide a more solid basis for judgment of the control risk and hence provide for more rational allocation of the auditor's time and effort. Thus, one of the primary advantages of the reliability model is its close relationship to the auditor's needs regarding understanding the ICS structure and control risk assessment. While questionnaires, narrative memoranda and flowcharts are useful, they do not provide an objective basis for the determination of control reliability. Professional judgment is necessary, but the reliability model affords the auditor an objective tool for the evaluation and design of the ICS system. Comparing these attributes of the reliability approach to the currently espoused needs of the accounting profession seems to be very relevant to the current needs of accounting profession. The evidence above however, indicates that current subjective based schemes have had limited success. Two potential users of the reliability model are the external auditor and management. During the external audit, evidence is gathered to support a professional opinion. The study of ICS reliability model has as a primary purpose of assessing control risk- the risk that a material error will be prevented or detected on a timely basis by the ICS.

Empirical review

In the empirical review, the researcher will examine the constructs of control systems, school factors and measurement of financial management in secondary schools.

Financial controls systems

Basle committee (1998) points out that the main objectives of the internal control process can be categorized as efficiency and effectiveness of activities (performance objectives) reliability compliance and timeliness of financial and management information(information objectives) and compliance with applicable laws and regulations (compliance objectives). Internal control working party (1999) emphasizes that internal control facilitates the effectiveness and efficiency of operations, helps to ensure the reliability of internal and external reporting and assists in compliance with laws and regulations. Millichamp (2002) defines auditing as the activity carried out by an independent individual (auditor) he/she verifies the accounting data, determines the accuracy and reliability of accounting statement and then reports upon his efforts to the stakeholders. They suggest that when reporting to the concerned stakeholders the major challenge and problem is; can the owners believe the report? This is because the report may contain errors, may not disclose fraud, and may be in advertently misleading or deliberately misleading, may fail to disclose relevant information or fail to conform to the regulations. To ensure credibility in reports and accounts, independent professionals (auditors) should investigate the report and report upon their findings. Manasseh (2002) points out that internal auditing is a managerial tool, which acts as a watchdog over the company's entire internal control systems. It enhances a strong internal control system that acts as a preventive measure against errors and fraud through constant checking of the accounts. Internal audit provides an independent appraisal of activities within an organization for review of accounting records. Wichenje et al (2012) found out that in the former western province, an average 17 head teachers were implicated in misappropriations of funds and other school property every year while in Kakamega Central district the figures were; an average of 6 principals every year from 2007-

2009. Some of the reasons they found responsible for the misappropriations include long span of period before auditors check books of accounts in schools, signing blank cheques, collusion with suppliers and auditors, ignorant BOG members, weak internal controls and lack of involvement of teachers in the budgetary process among other reasons. Watsulu and Simatwa (2011) Found out that auditing was not adequately done due to shortage of auditors thus long span of time elapses before auditing is done. Some schools have incomplete financial accounting documents like payment vouchers. Some schools delay in submitting the books of accounts for auditing thus it took long before feedback is given. Some heads claimed they lack adequate time to carry out audit internally. Osiri et al (2012) found out that some schools lacked sound accounting systems and in many schools the bursars had stayed for many years without going for leave. It was therefore difficult to investigate any anomalies in their presence. On auditing they realized that most heads colluded with auditors and gave them bribes to cover the anomalies, in fact some auditors were bribed to balance the books of accounts before the actual auditing. Mbiti (2007) argues that for effective management of finances in schools, there should be tangible measures that show clear evidence in terms of records on the amount of money received as income as well as where the funds are kept. Similarly for expenditure there must be clear records on what was purchased, quantity, when they were purchased and evidence of goods or services for which the stated payments were made. Okumbe (2007) asserts that financial accounting in an educational organization is the process of recording, classifying and summarizing financial transactions of an educational organization and interpreting the results of these transactions. It serves 3 general purposes: First, it ensures financial resources are used for the intended purposes only that is, it determines the degree of honesty and integrity of the accounting officers. Secondly it ensures that there is proper management of educational institutions and thus promoting economic

development. Thirdly, it enables educational authorities to have a quick but effective check on both the rate of expenditures and proper financial control. Okumbe (2007) further explains the role of auditing in educational institutions, auditing should be done internally by the school principal but also done annually by the government auditors. Auditing helps to determine accuracy of financial statements, compliance with legal provisions, policies and procedures stipulated by the MOE and to identify operational problems in accounting procedures used by the educational organization so as provide remedial recommendation for improvement. MOE school management guide (2008) stresses that financial resources are scarce and misuse or inappropriate distribution can make things worse. The head teacher, B.O.M /P.T.As and H.O.Ds should monitor, supervise and control school funds in close connection/liaison with the school bursar. The system should provide a complete history of all the transactions to the B.O.M and other stakeholders. The school should deposit any excess revenue to avoid cases of theft, loss or other malpractice. Auditing should be done at the initial stages by the school principal and at a later stage by external auditors from the MOE which helps in knowing the financial standing of the school, credibility of accounting records, detecting and preventing errors in future. All financial transactions must be recorded in the cash book on a daily basis or as they occur and all payment vouchers must have the following: Serial number, relevant support documents, head teacher's signature and payee's signature. The head teacher should check the preparation of the accounting records and submit the financial statements for audit every year. Financial statements and audit reports are often allocated very little time in B.O.M / PTA meetings and is often put last in the agenda, by the time they reach it they are bored, tired or in a hurry to end the meetings, the statistics, especially taking into account the language and explanations overwhelm them thus they end up not understanding finer details of what took place. This should be consciously

avoided and such issues should be high on the agenda and allocated adequate time that allow deeper understanding of finer details and questions can be asked relating to the accounting figures and procedures, that way, management of school finances can be more widely and readily improved. Lucey (2002) defines a budget as a quantitative statement for a defined period of time which may include planned revenue, expenses, assets, liabilities and cash flows. A budget provides a focus for the organization aids the coordination of activities and facilitates control. Planning is achieved by means of a fixed master budget whereas control is generally exercised through comparison of actual costs with a flexible budget. Lazarus (2000) observes that budgetary control is one of the best techniques of controlling management of finance, in which case every department's budget is made of estimated data from original data and fix the responsibility of employee if variance will not be favorable, in other words to make the budget and control the business is a key tool in budgetary control. Mwaura and Olesin (2009) also stress that budgets are important for forecasting. Torkzadeh (1999) identified other uses of the budget like fixing the responsibility of departments and effective utilization of the company's resources. According to Tomala (2004) during the budget preparation, trade off and prioritization among programs must be made to ensure that the budget fits organizational policies and priorities. Wanga et al (2010) suggests that principals must know where to find support and learn to accept criticism on how finances can be best managed; this should be seen in the way they plan, control and monitor the school finances especially in areas such as budgeting, accounting and monitoring effective implementation of school budget. Osiri et al (2012) found that the way the budgetary process in most schools in Gucha District was done was haphazard. There was lack of involvement of teachers in the budgetary process, and their opinions on priority areas were not sought. The budget committee was in place headed by the deputy principal with other HODs as

members but they were not active. Tendering was done by the principal and his or her cronies and did not pass through the tender committee. The tender committee was therefore just a rubber stamp. Two or more projects were started concurrently without proper forecasting. In some cases a school project run concurrently with the principal's project and this was a reason that made some projects to stall.

Non Financial Control Systems

Manasseh (2007) outlines non financial controls as first; Organization charts. This defines responsibilities in order to minimize conflict in duties, reduce tension and associated costs; it boosts accountability and facilitates coordination and harmonization of effort. Secondly, segregation of duties, this entails authorization and executions that is; limits for authority accorded to an individual different from the one who authorized the execution of the act, meaning one who authorizes is not the one who executes it. For example for assets, the one who authorizes their purchase is not the one who keeps them. Valuable and portable assets should be under custody of different officials and their security should be ensured. Thirdly physical controls should be in place so that there is no access to assets by unauthorized persons such as cash, stock and tools. Fourth authorization and approval controls; no transaction should be carried out without approval of relevant authority. Osiri et al (2012) in their research in Gucha found out that in some schools, there was no segregation of duties and the typist or store keeper doubled as the accounts clerks. Most schools lacked qualified store keepers to safeguard loss of school property. Some transactions were carried out without any authorization in the pretext of emergency. In some schools the principal was the authorizing officer, accounting officer as well as the purchasing officer.

School Factors

Technical competence lays the foundation of any organization, particularly so in the modern business industry. Skills in accounting management function is essentially a checklist of data base of organizational capacities that can help a school determine whether it can deliver particular services on time to the required expectation efficiently. BOM should therefore ensure the accounting staff are qualified to perform their duties. It is the responsibility of the BOM to analyze the skills gap and provide the necessary training to the staff to bridge it. Wanga et al (2010) adds that principal is the accounting officer in school and is in-charge of any expenditures incurred in other words (A.I.E) holder, thus they should continuously boost their professional development by acquiring relevant skills and abilities required to effectively manage resources of the school. Osiri et al (2012) found out that the accounting officers in some schools including the principal were not properly qualified for their duties. In some small schools the store keeper doubled as the accounts clerks without any relevant qualifications this is a loophole that was found to enhance the misappropriations. Okumbe (2007) suggest that BOM members who are signatories should scrutinize all transactions before signing any cheque and should not sign blank cheques in the name of emergencies that may arise. If possible they should be around the school so that they can be reached whenever required. He suggested that to avoid delays in auditing, the ministry should provide a list of authorized auditors so that the BOM can select their own in advance. Osiri et al (2012) found out that most BOM members were weak, do not understand financial reports presented and did not bother to verify expenditures thus they made poorly informed decisions. Majority are retirees from public service some of whom are hungry for money and are only interested in the allowances. Onderi and Makori (2011) found out that most BOM and PTA members lacked the confidence, skills, knowledge and understanding required to

discharge their duties effectively. Due to the enormous and increasing roles of the BOM and PTAs there needs to be a match between the increasing roles and competence through training involving; induction training, initial training and in-service training. Osiri et al (2012) found out that most principals lacked adequate skills to carry out internal controls. The training through the education staff institute was not enough to equip the principals with necessary skills as it was not able to take all managers for training and the way it was done was haphazard. However while elaborate financial control measures can be put in place, the basic trust of the individual principal as the CEO of the institutions remains a key factor in financial management. Some principals have overstayed in their stations and have made the schools their homes and thus forgotten professional ways of running the school. Some do not involve teachers when financial decisions are to be made and this makes teachers to use any small opportunity they get to misuse school finances. Some are promoted to headship through corrupt means and must please their godfathers through financial favors. The heads should therefore cultivate the habit of trust worthiness when dealing with public funds. Wanga (2010) suggests that principals must know where to find support and learn to accept criticism where finances are not managed well.

This is the reason why the study seeks to assess the loop holes that still allow misappropriation of funds by evaluating the influence of control systems on financial management of public secondary school The study was based on Agency Theory and Reliability Model. Agency theory postulates that the day to day running of the business is carried out by managers as agents who have been engaged by owners (principals). The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with agency conflicts, or conflicts of interest between agents and principals. When agency problems occur

they give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship this may include; offering management performance bonuses, stock compensation and threat of take over. Agency theory in a formal sense originated in the early 1970s, some noteworthy scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael Jensen, William Meckling, and S.A. Ross. Agency theory suggests that, in imperfect labour and capital markets, managers will seek to maximize their own utility at the expense of corporate shareholders. Agents have the ability to operate in their own self-interest rather than in the best interests of the firm because of asymmetric information; managers have much information than the shareholders on issues of running the business. This theory is relevant to management of finances of public secondary schools in Kenya since the BOM and PTAs are agents engaged by the government, parents and other stakeholders to manage the school on their behalf. The agents should act in the best interests of the government, parents and other stake holders (Principals) and should not waste or misappropriate any funds but ensure that the common good of the child is achieved. Since the BOM and PTAs may have conflicting interest with those of the GOK, parents and other stake holders, the GOK has put in place control measures to ensure finances in public secondary school are managed well. The control measures therefore should ensure that proper financial management so as to protect the interest of the principals and ensure proper accountability of the invested funds.

Reliability Model postulates that systems should be able to meet the targets in the stipulated time and be able to be relied upon to reveal the truth. Stratton (2007) makes it clear that when process and system reliability estimates are formulated, comparison with past data of the firm or with other firms (a form of benchmarking) may provide a more solid basis for judgment of the control

risk and hence provide for more rational allocation of the auditor's time and effort. Reliability model affords the auditor an objective tool for the evaluation and design of the ICS system. Comparing these attributes of the reliability approach to the currently espoused needs of the accounting profession, it becomes very relevant to the current needs of accounting profession. The theory is relevant to financial management of public secondary schools in Kenya because the internal control systems put in place by the GOK should be reliable to manage finances and reveal deviations so that corrective measures can be taken in good time to avoid losses.

5.0 Theoretical Framework.

The study will be based on Agency Theory and Reliability Model. Agency theory postulates that the day to day running of the business is carried out by managers as agents who have been engaged by owners (principals). The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with agency conflicts, or conflicts of interest between agents and principals. When agency problems occur they give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship this may include; offering management performance bonuses, stock compensation and threat of take over. Agency theory in a formal sense originated in the early 1970s, some noteworthy scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael Jensen, William Meckling, and S.A. Ross. Agency theory suggests that, in imperfect labour and capital markets, managers will seek to maximize their own utility at the expense of corporate shareholders. Agents have the ability to operate in their own self-interest rather than in the best interests of the firm because of asymmetric information; managers have much information than the shareholders on issues of running the business. This theory is

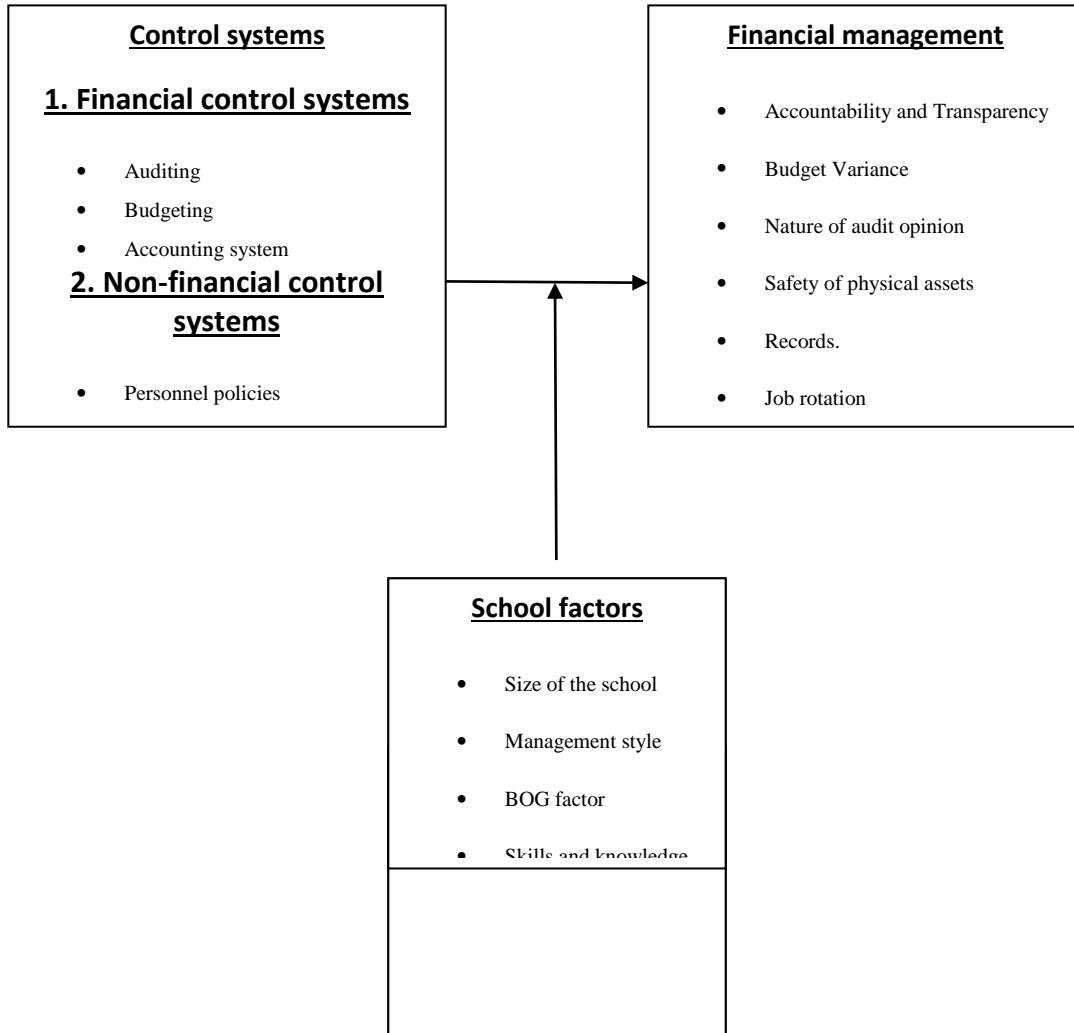
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6.0 Conceptual Frame Work.

Independent variable

Dependent variable



Moderating Variables

Source: Self conceptualization (2013)

7.0 RESEARCH DESIGN AND METHODOLOGY

7.1 Research Design

A descriptive survey research design was used to collect data. A survey is an attempt to collect data from members of the population in order to determine the current status of events Mugenda and Mugenda [1999]. This research design will enable the researcher to get information on the current internal control systems used to manage finances in public secondary schools in

Kakamega central district and be able to make an objective generalization about all public secondary schools in Kenya.

7.2 Target population: The target population for this study was 190 people. This will consist of 19 school Principals, 19 Deputy Principals, 19 Bursars, 19 storekeepers and 114 other members of the tender committee from 19 public secondary schools in Kakamega Central District.

Target population Table

Category	Number	%
Principals	19	10
Deputies	19	10
Bursars	19	10
Store keeper	19	10
HODs	114	60
Total	190	100

7.3 Sampling Procedures and Techniques.

The study will use Census technique to get information from the principals and bursars and other members of the tender committee. A census study is necessary because all heads and bursars hold key information while other members of the tender committee if all included will reduce biasness that may arise from using a few members

7.4 Sample Population:

A census technique was used thus the sample populations will be the same as target population that is; 190 people consisting of; 19 principals, 19 deputies, 19 bursars, 19 store keepers and 114 HODs who are members of the tender committee

Sample population table

Category	Number	% age
Principals	19	10

Deputies	19	10
Bursars	19	10
Store keeper	19	10
HODs	114	60
Total	190	100

7.5 Research Instruments.

Primary data was collected by use of Questionnaires and Structured interviews. Both closed-ended and open ended questions will be used. Closed ended questions are easy to administer and analyze, they are also economical in terms of time and money. The structured interviews will be used together with the questionnaires in order to give in-depth information that may not be given by questionnaires. Secondary data will be collected through document analysis of the school accounting records. Reliability will be tested through split half technique. Mugenda and Mugenda [1999] define reliability as; the degree to which a research instrument yields consistent results or data after repeated trials. Split half technique will involve one testing session where the questionnaires will be designed in two parts. Odd numbered items and even numbered items. The correspondents score from one part will then be correlated with scores from the other part using Crobachs Coefficient Alpha to determine how the two parts relate. It is a general form of Kuder-Richardson (K-R) 20 Formula. This will save time than other reliability methods and the estimated reliability is always lower to avoid erroneous conclusions. K-R formula is as follows:

$$KR\ 20 = \frac{K(S^2 - \sum s^2)}{S^2(K-1)}$$

Where

KR 20 = Reliability coefficient of internal consistency

K=Number of items used to measure the concept

S²=Variance of all scores

s^2 = Variance of individual items.

Validity will be tested through expert analysis and Pilot study. Mugenda and Mugenda [1999] define validity as; the accuracy and meaningfulness of inferences based on the research results. In other words the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. The questionnaires will also be pre-tested in Kakamega south district to find out if they will give relevant information required by the study. If divergences are found then adjustments will be made to the final questionnaires and structured interview questions so that the purpose of the study can be achieved.

7.6 Data Collection Methods and Procedures.

A questionnaire, structured Interviews and document analysis was used to collect data. Questionnaires are relatively cheap, simple and clear, and if well designed and made anonymous will encourage respondents to give sincere responses. Face to face interviews were also be conducted on selected principals and bursars according to convenience, this gave in depth information that the questionnaires may not be to give. The questionnaires were then be collected back after one week. The school accounting records will also be analyzed to verify if they are prepared according to the MOE guidelines.

7.7 Data analysis and presentation

Both quantitative and qualitative data was collected. The responses in the questionnaires and structured interviews for qualitative data were coded by assigning numerical values. The responses were classified into various categories. This was entered into the computer to obtain descriptive statistics such as; frequencies, percentages, mean median, mode and variance by use of a tool such as SPSS computer package.

Crobanchs alpha (Kunder-Richardson (K-R20), Carl Pearson's product moment Correlation (r) and both simple and multiple regression analysis was used to find the relationship between variables. The data was then be presented inform of in form of tables, charts and graphs.

8.0 SUMMARY OF FINDINGS

Objective 1: Auditing

Most principals do not carry out internal inspection of books as frequently as required as this should be done daily or at least weekly for accuracy. Long span is taken before external auditing is done this may mean so much backlog that needs much time for auditing in each school and encourage mismanagement considering the bulk of books to be audited. If auditing is done frequently it would greatly improve financial management in public secondary schools. The current auditing techniques are not effective enough in managing school finances thus improvement needs to be done this is because, Auditors being bribed by school heads to cover up illegal financial transactions they discover during auditing. This has led to extreme financial mismanagement in which misappropriate are not even reported. Auditors undertake the task of auditing as a formality but not as an objective in the aspect that they inadequately do the auditing task when charged with the responsibility to do so. In some cases, financial records are doctored to meet the expectations of the auditors hence unrealistic financial report is produced. Some auditors lack auditing expertise hence cannot undertake auditing effectively. Frequently financial constraints on petty expenditure have negatively affected the significance auditing as some expenditure is not capture in the financial books records. Long span pass before auditing is done and this gives room for manipulation of financial records and sometimes, the records are carelessly stored leading lose of very important financial data.

Objective 2; Budgeting

The respondents gave the following persons as persons as responsible for undertaking the actual expenditure: matron, boarding master, principal account clerk, the store keeper, and bursar. Majority of the respondents agreed that many of the people who get involved in preparing the

expenditure also get involved in their actual purchase, this shows lack of segregation of duties which encourage misappropriation of funds. Majority of the respondents showed that budgets are prepared annually. This was an indication that many schools do budgeting annually; very few monthly and some do not do it all. On consultative budgeting majority disagreed that all stake holders are involved. This showed that in many schools, budgets are not prepared consultatively and all stake holders are not involved.

On budget adherence majority indicated that it was moderate. This showed that budgets are not accurately adhered to some of the reasons for this included inflation and lack of proper forecasting. On positive impact of budgeting on proper financial management, majority strongly agreed that it has positive impact. This showed that budgeting if properly done will contribute greatly to proper financial management.

Objective 3: Sound accounting system

Majority of the respondents agreed that authorizations and approvals are done before carrying out expenditure. This showed that in many schools approvals and authorizations are done but still in a good number of schools they are not done. On rating the skills of the accounting staff, majority were found to be semi skilled. This showed that most of the accounting staff in many schools are not highly skilled in their duties and therefore face many challenges in carrying out their duties. On the respondent's opinion on how skills affect efficiency of the accounting staff; majority felt it highly affects efficiency. This showed that for accounting staff to carry out their duties effectively they should be highly skilled majority indicated that books of accounts are prepared monthly. This indicated that in most schools books are not prepared as frequently as prepared as some books should be prepared daily to avoid compiling work and for accuracy.

Objective 4: Non financial controls

Majority of the respondents agreed that their schools had store keeper issuing drugs, office cleaning, collecting school fees, school cateress, school matron, issuing stationery account clerk and librarian. On the store keeper skills majority disagreed that they have relevant qualifications. This implies that most of the store keepers are not qualified for their duties and this contributes to mismanagement and loss of property in the store. On frequency of physical checks in the store, majority indicates that it done annually. This shows that physical checks are not done as frequently as required thus this may lead to misuse and misappropriations of school property. On the average level of education majority of respondents indicates bachelor's degree. This is a

good indication as most of them are highly educated hence strength for their role in managing school finance.

On the BOM going for in service training majority indicated that they are not sure. This indicated that the BOM are not taken for relevant training to boost their skills and this implies they cannot effectively carryout their duties. On the role of BOM in managing school finances, majority indicated that they play a passive role. This implies that the BOM are not as active as expected in the management of funds in public secondary schools. On inclusion of BOM majority of the respondents indicated that they help in improving financial management. This indicated that to a greater extent, the inclusion of BOM help in improving financial management as they help in financing some projects and instill discipline in the use of finances this may include; enhancing effective planning, transparency and accountability, enhance discipline management, financing school projects and ensuring fairness in financial distribution. However involvement of PTAs and BOM may interfere with financial management in the following ways; some are used as mere 'rubber stamps' since some are ignorant and get manipulated by school principals hence signing financial documents they don't even comprehend. Some meet just get financial allowance. They even approve unproductive or unsustainable leading to waste of school resources.

9.0 CONCLUSIONS AND RECOMMENDATIONS

9.1 CONCLUSIONS

Auditing is not effectively done in schools as long span of time is left before it is done external auditors are also corrupt and do not do their work objectively.

Budgeting is haphazardly done in school and relevant stakeholders are not involved they are also rarely adhered to. Accounting procedures are not properly followed and long span elapses before books of accounts are prepared.

Segregation of duties is still absent in managing finances in secondary school. Accounting staff lack relevant qualifications. Store keepers perform several duties for which they have no relevant skills for.

BOM are key in managing finances but they lack relevant skills as they are rarely taken for any training. Therefore means that the control systems put in place in public secondary schools are not effective in managing finances and thus need improvement.

9.2 RECOMMENDATIONS

9.2.1 Auditing

- i. Auditing should be done more objectively and thoroughly by the external auditors.
- ii. External auditors should be independent and not have personal interests when doing their work. They should avoid corruption.
- iii. More auditors should be employed by the government to enhanced frequent auditing of schools as the current number is seriously in adequate.
- iv. Principals and accounts clerks/bursars should go for frequent training on auditing techniques.
- v. Auditors should have impromptu visits to schools to see what goes on and not wait for books to be doctored to meet their expectations.

9.2.2 Budgeting

- i. Budgeting should involve all the stakeholders
- ii. Those involved in budgeting should be taken for in-service training to equip them with current trend in budgeting
- iii. Budgeting should be done objectively with proper forecasts and taking into account inflationary effects.
- iv. Government should remit funds to schools in time as delays usually bring financial crisis.

9.2.3 Sound accounting systems

The government should fund mechanization of the accounting system in schools. This would ease the work of auditors and accountants. Schools should employ qualified bursars and account clerks to enhance their work. Books of accounts should be prepared as frequent as possible to avoid accumulating accounting work load and for accuracy. There should be segregation of duties and those involved in approving expenditures school not be the same people who carry out the expenditures.

9.2.4 Non-financial controls

Store keepers should have relevant qualifications and should not engage in other duties. Frequent checks should be done on items kept in the store. BOM should undergo frequent in-service training to equip them with current skills of managing school finance. BOM should scrutinize properly any expenditure before approval and make a follow up on how actual expenditure is done. Principals should not be teachers put professional managers working under performance contract. This would enhance proper financial management.

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