

**AN EVALUATION OF FINANCIAL MANAGEMENT
PRACTICES ON FREE PRIMARY EDUCATION (FPE)
FUNDS. THE CASE OF THIKA DISTRICT**

by

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DECLARATION

I hereby declare that the work contained in this project is my original work, and has not been previously in its entirety or in part been presented at any other university for a degree. All the references cited in the text have been duly acknowledged.



Date: 07/11/2007

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Date: NOV 7, 2007

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DEDICATION

This paper is dedicated to my dear parents who have always encouraged me to fulfill my dreams.

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First and foremost, I express my gratitude to God almighty for the gift of life, health, protection, and sufficient grace throughout my studies.

Further, a big Thank you to the Gandhi Smarak fund for financing my studies

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Finally, to my children Jimmy, Sharon, and Valentine; I pass this to you; “Good trees do not grow with ease, the stronger the wind, the stronger the trees”. Thank you for withstanding the weather.

ABSTRACT

This study sought to establish the extent to which sound financial management practices are observed in Public primary schools. Specifically, the concern was on the management of the Free Primary education (FPE) funds that were introduced in all public schools in January 2003.

It has been noted in the background to the study that the Government availed a capitation grant of Ksh 1020 per child per annum. e.g. a school with 600 children receives Shs 612,000 p.a. The schools therefore receive different amounts, depending on the number of Children enrolled. The funds are channeled directly into the bank accounts of all the over 18000 public primary schools in the republic. The Ministry of Education requires schools to form a School Instructional Materials selection Committees (SIMSC) that works closely with the School Management Committee (SMC) to oversee the utilization of FPE funds and designate the procurement plans.

It is expected that the various schools have different financial priorities depending on their specific needs. Aspects of financial management such as financial planning and budgetary control should reflect the different priorities. In addition, the Ministry of education should have in place a financial management information system that will enable it to monitor, control and effectively direct the utilization of the FPE funds. The system should order information from all the schools and communicate it on a timely basis to the ministry headquarters to aid in developing of education policies.

The survey was based in Thika rural and Thika municipality districts. At the time of the study, the district had 168 schools. Sample schools involved in the study were selected by stratified sampling technique. 33 schools participated in the survey. The main tools for primary data collection were questionnaires for the head teachers, and the Quality Assurance and Standards Officers, commonly referred to as the school inspectors. Data analysis was done using descriptive statistics, which included raw data tables, frequency tables, percentages, and measures of central tendency.

The findings of this study indicated that to a large extent, the public primary schools in Thika observed basic financial management practices in management of FPE funds. This include the preparation of short-term cash budgets for the FPE funds received annually. Where long-term expenditure was incurred, such as in classroom and latrine construction, the budgets were not available. It was established that involvement in the preparation of the cash budget was limited to the head teacher and School Management Committee. Other stakeholders' did not participate in the budgetary process in any significant way. The head teacher was still found to have a lot of influence on the SMC especially where the head teacher had stayed for a long time in the same station. Other monies that the schools received from the parents such as the exam fees charges, Tuition fees and monies for payment of electricity were not budgeted for as soliciting of such funds were against the Ministry of Education policy.

Financial reporting was found to be a cosmetic exercise as the statements prepared for presentation were done to reflect the Ministry's policy and not the actual practice in the schools. A lot of manipulation of books was reported as the head teachers admitted that in spite of the financial management workshops attended, they still felt inadequate in their role as financial managers. Moreover, they indicated that Ministry's guidelines on the utilization of FPE funds were unrealistic and they had to sometimes bend the rules in order to suit their specific circumstances.

The study though successful had some limitations in response rate and unwillingness of some respondents to diverge information relating to the actual practice for fear that if the information would get to higher authorities their jobs would be in jeopardy.

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LIST OF ABBREVIATIONS

FPE	Free Primary Education
EFA	Education For All
UPE	Universal Primary Education
NARC	National Rainbow Coalition
DEO	District Education Officer
AEO	Area Education Officer
SIMBA	School Instructional Materials Bank Account
SIMSC	School Instructional Materials Selection Committee
SMC	School Management Committee
UN	United Nation
KESI	Kenya Education Staff Training Institute
MIS	Management Information System
FMIS	Financial Management Information System
ZBB	Zero Based Budgeting
PPBS	Planning, Programming Budgetary System
UNICEF	United Nations Children's fund
UNESCO	United Nations Educational, Scientific and Cultural Organization
PRISM	Primary Schools Management
TIQUET	Totally Integrated Quality Education and Training
SAPs	Structural Adjustment Programs
KANU	Kenya African National Union
GDP	Gross Domestic Product
GNP	Gross National Product
DFID	Department for international development
OPEC	Organization for Petroleum exporting countries
KSES	Kenya Schools Equipment Scheme
QUASO	Quality Assurance and Standards Officer

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

1.1.1 Provision of Primary education in Kenya

Education is a powerful tool for self-realization, social advancement and economic development. It enables individuals to fully realize their potential. Basic education is a human right (UN, 1948). For children of school going age, the right is provided for in law as enshrined in the Children's act section 7 enacted in 2001. Further, the primary level education is compulsory in Kenya. The provision of formal education in most developing countries has traditionally been the responsibility of the national governments (World Bank, 1988). However challenges arise that relate to the issue of affordability, and progression in Education. In post independent Kenya, the primary education was provided free of charge until 1986 when addition of new courses in the curriculum increased the cost of education. This led to the introduction of cost sharing in primary schools under the Structural Adjustment Programs, Sap's (Sessional paper, 2004). This made the primary education unaffordable to many and the enrollment fell while school drop out rate rose by alarming rates (Sifuna, 1990).

In 1999, the government reaffirmed its commitment to Universal Primary Education, (UPE) and set the year 2000 as the target for attainment of UPE (Mukathe 1999). The concept of UPE can be traced back to 1948 when the UN declared Education a basic right for all. This meant that education need to be availed to all regardless of social class, gender, color, religion, ethnic group or race. The 16th session of the United General Assembly (1961-62) identified illiteracy as the main barrier to the social and economic

growth of third world countries. The issue of Free Primary Education (FPE) in Kenya was articulated in the KANU election Manifesto at Independence, whereby the government had an agenda of attaining FPE by the year 1971. However, this goal remained elusive due to lack of sufficient facilities and financial resources to marshal that purpose (UNESCO, 2000). The enactment of the Children's act section 7 by parliament in 2001 legally bound the government to ensure access to education for all children of school going age.

It is in this context that the National Alliance Rainbow Coalition (NARC) made FPE a prime campaign issue during the national elections held in December 2002 (NARC, 2002). Subsequently, it launched the FPE in January 2003 after taking over the governance of Kenya. FPE is intentioned to remove all levies that previously prevented some children from accessing education. The government commits itself to the provision of instructional materials, teacher maintenance, and quality assurance services.

The FPE program was never intentioned to stop important community initiatives such as classroom building and refurbishments. However, the government policy is that no child should ever be denied access to education if the parent or guardian is unable to pay for the improvement of facilities (Statehouse, 2004). The introduction of FPE resulted in enormous increase in enrollment. Influx of children in primary schools increased from 5.9 Million in 2002 to 7.5 million children in 2004, an increase of 22%(UNESCO, 2004). There is Evidence that point to great inadequacy in infrastructure, both physical and human to handle and accommodate the tremendous enrollment growth (Mugisha, 2006).

1.1.2 Financing of education in Kenya

The average government spending in education and training ranges between 5% and 7% of the GDP. This expenditure has risen from 35% of social sector expenditure in year 2000 to 39% in year 2004(Economic Survey, 2004) -see table 1.

The current cost of Education is way beyond the normal budgetary allocation. Further the Current performance of the Kenya Economy cannot support the FPE without infusion of outside funds (Mugisha, 2006). For instance in the 2003/04 financial year, the government increased the education budget from 66.41Billion to 80.23 Billion, a 20.8% increase, (Table 1) with 7.6 Billion being specifically allocated to the FPE (Economic Survey, 2004). Other funds towards the financing of FPE in the same year included the World Bank, with a grant of 2.7b, DFID 1.6b, OPEC 1.2b, Swedish government 430 million, and UNICEF 250 million among others. This funding was through the education for all fast track initiative whose total funding for the year amounted to \$20.4million(UNESCO, 2004). This funding though welcome is temporary and cannot be relied on for financing education (Mugisha, 2006).

Table 1:Overall Education Budget.

FINANCIAL YEAR	RECURRENT SHS(BILLION)	% OF TOTAL	DEVPT SHS(BILLION)	% OF TOTAL	TOTAL SHS(BILLION)	% OF SOCIAL SECTOR EXPENDITURE
1999/2000	47.60	98.63%	0.66	1.37%	48.26	35%
2000/2001	48.71	97.81%	1.09	2.19%	49.80	36.2%
2001/2002	53.74	95.39%	2.06	4.61%	56.34	37.4%
2002/2003	61.60	92.76%	4.81	7.24%	66.41	38.8%
2003/2004	71.8	89.49%	8.43	10.51%	80.23	39.4%

Source: Ministry of Education-2004.

Out of the total allocation to the Ministry of Education, 55% of the resources go to the financing of the basic education, which caters for the majority of school going children aged between 6 and 13 years. This level of education has been receiving decreasing resources compared to other levels of education. The average government spending on a primary school child is Ksh2774 per annum, compared to Ksh9418 p.a on a secondary school student and Ksh 115812 per annum on a university student, giving a ratio of 1:3:42.

The bulk of allocation to the primary education (table 2) is spent on running the secretariat at the Ministry of education headquarters and at the district level and on Teachers' salaries. This is as compared to the amount spent on financing of instructional related activities such as textbooks, desks, and construction of classrooms (Nyamute, 2006).

Table 2: Primary Education Budget.

FINANCIAL YEAR	RECURRENT SHS (BILLION)	% OF TOTAL	DEVPT SHS (BILLION)	% OF TOTAL	TOTAL KSH(BILLION)	AS % OF TOTAL EDUC. BUDGET
1999/2000	0.483	62.97%	0.284	37.03%	0.767	1.59%
2000/2001	0.816	77.57%	0.236	22.43%	1.052	2.11%
2001/2002	0.742	83.18%	0.150	16.82%	0.892	1.58%
2002/2003	3.320	80.66%	0.796	19.34%	4.116	6.20%
2003/2004	5.970	50.67%	5.813	49.33%	11.783	14.69%

Source: Ministry of Education-2004

During the Post independence years, the government provided all the required learning materials through the Kenya Schools Equipments Scheme, hereafter KSES. However,

with the introduction of the SAPs in the 1980's the KSES died down. After this and prior to the introduction of the FPE, the instructional materials were then acquired through the Ministry of Education. The Head teachers used to send the requirements of their schools to the DEO who would compile a list of all the required items in their respective areas and forward to the Ministry of Education. The Ministry would budget for all the requirements and channel the funds through the DEOs who would procure the books for the respective schools. The schools almost always received fewer materials than required. This made the parent generally responsible for providing to all the material needs of their children through levies imposed by the school management based on the school's individual needs (Nyamute, 2006).

With the introduction of FPE, the Government has availed a capitation grant of Kshs 1020 per child per annum. Of this grant, Kshs 650 per child is sent to schools instructional materials bank account (SIMBA). This is strictly a checking account, being an allocation towards the purchase of instructional materials such as textbooks, exercise books, supplementary readers, pencils, charts and wall maps. The remaining Kshs 370 per child is channeled into an operating account, being an allocation towards the schools' running expenses. These include support staff wages, repair maintenance & improvements, quality assurance, activity, postage, telephone, box rental, local transport & traveling (Ministry of education, 2004).

The dispatch of these funds is done twice per annum, around September and around April. For example, a school with an enrollment of 600 Pupils is allocated Kshs 612,000 per Annum. (i.e. 600 @ sh1020). These funds are channeled directly from the treasury to

the individual schools throughout the republic using electronic funds transfer, EFT. Every school receives a definite amount depending on the number of pupils enrolled in the school as per the certified enrollment figures submitted through the DEO's office. These funds are not sufficient for the needs of the schools (Nyamute, 2006). However, there are no negotiations or consultations with the school management committees regarding the use of, or amounts required by the individual schools. At the introduction of FPE, all compulsory fees payable by parents were abolished and no counter measures were announced on how to replace the lost revenue by the schools.

Parents are free to contribute to the schools development activities (Statenouse, 2004). However, approval for imposing any funds is a lengthy process, which must be obtained from the Ministry of Education through the AEO's and DEO's offices. Every school is required to form a school instructional material selection committee (SIMSC). This committee should be effectively involved in defining the schools annual spending and designating the procurement plans (Ministry of Education, 2004)

The Head teachers have the responsibility of maintaining all the schools' records. This is because the public primary school administrative set up in Kenya does not provide for a government employed accounts clerk or school bursar. The District education office is charged with the implementation role. The field officers organize a 2-week seminar annually for training of the stakeholders (school head teachers, and school management committee members) in financial management, procurement procedures of instructional materials and the efficient utilization of funds and other resources (Sessional paper 2004). The district education office also conducts annual audits in all the schools. The Ministry

of Education plays a monitoring role to assess the level at which there is compliance with the set guidelines to schools. Every year 2.5% of the schools are randomly selected from all over the country and compliance assessed by the controller and auditor general working in consultation with reputable audit firms (Ministry of Education, 2003).

1.2 Statement of the problem

The Ministry of Education's mission is to provide, promote and coordinate quality education for Kenya's sustainable development. This is in order to facilitate the realization of governments' vision for offering equal learning opportunities for all learners. The ministry is entrusted with providing an appropriate regulatory framework, develop policies and guidelines, and provide support services in education (Ministry of Education, 2004). Since year 2003, the Kenya government has invested heavily on FPE under an overstretched budget and with obvious scarcity of financial resources. At the implementation of the FPE program in the year 2003, the funding deficit was at Ksh65 million (Sessional paper, 2004).

Whereas the governments' effort is noble, concerns arise on the adequacy of the measures in place towards the optimal utilization of the financial resources invested towards the realization of the governments' vision. In the first place, the fund provides a uniform allocation to all pupils regardless of a number of crucial considerations such as the level of study (e.g., Lower or Upper Primary), the size of the school, or the cost of living in the area where the schools are situated i.e. rural or urban area. Questions arise as to whether there are any economies associated with these factors.

Basic financial management practices such as use of cash plans and cash flow forecasts are necessary in the management of any fund. Hence, the question as to whether or not they are developed and used in the management of FPE funds.

School requirements are not expected to be uniform in terms of urgency and amounts across the country. This raises the question of how much leeway the school management committees have in deciding how to utilize the money. The fact that there are no employees with finance/accountancy training deployed by the government in the public schools, yet head teachers are trained as educators and not financial managers also raises the question of how competent they are in financial management and procurement.

Considering that the FPE funds are being channeled directly to the schools with specific guidelines on use, questions on whether, and how frequently budgetary control mechanism such as variance analysis on budgeted and actual expenditure is undertaken. The government in its strategic plan, (2003-2007) states that it's the policy of the government to strengthen the capabilities of lower level structures particularly the school management committees by ensuring that they are injected with professionalism. The school committees and SIMSC are the legal trustees of schools, and there is a need therefore to establish if indeed they are executing their roles effectively as required of them.

1.3. Research questions

1. Do the schools generate cash plans and budgets based on their specific priorities to ensure that incoming financial resources facilitate the fulfillment of these priorities?
2. What financial control measures have the Ministry put in place to ensure that the FPE funds are properly managed and utilized?

1.4 Objective of the study

- a) To establish the nature of financial management control measures in place in the management of FPE funds.

1.5 Significance of the study

The study was found to be of importance to the education planners and policy makers since it documents the aspects and extent of financial management practices being employed in the utilization of the FPE fund, as well as the challenges faced. The extent to which management practices were being carried out identified gaps that can be a potential guide on future policies on training, control, and evaluation of the actual performance by school committees in financial resources management.

This survey was expected to stimulate more research on application of sound financial management practices in the utilization of other Public funds. Future researchers may want to gauge the progress made in financial management of FPE fund, a number of years from now using the findings of this survey as a base.

The head teachers and school management committees would draw from the findings and recommendations of this study and may find them useful in their day-to-day management of the financial resources. Highlighting on the challenges faced would make them more prepared in planning their daily financial management of FPE fund. Finally, the findings provide a data bank on the actual utilization of funds by schools in this part of the country.

1.6 Limitations of the study

The research was not without some limitations. In the first place the study data collection instruments were distributed at the beginning of the term when most head teachers were busy settling down for third term. Most of them requested for more time to filling in the questionnaire. However, since the study was timed, the researcher could not grant the targeted respondents ample time and after three unsuccessful attempts to retrieve the questionnaires the respondent was considered unwilling to participate in the study. This handicap was overcome by replacing some targeted respondents with others from the population who were more available. This enabled the researcher to attain a total of 33 respondents representing 19.6% of the population compared with the initial target of 25%

Further, some of the respondents were not convinced that the information was strictly for academic research purposes only and hence handled the researcher with an element of suspicion. The researcher felt that some of the responses given could have been those reflecting the Ministry of Education Policy and not necessarily the actual practice in the school.

1.7 Basic Assumptions

1. That all public primary schools receive varying FPE funding according to their enrollment. Further, that the enrollment figures submitted to the ministry are accurate.
2. That the head teachers in the public primary schools are the most actively involved personnel in the management of the financial resources and are either personally or as part of the team involved in financial decision making, planning, record keeping and all other aspects of financial management.
3. That the education officers have a consistent schedule of monitoring schools and will give a true picture of the actual financial management practices in the schools.
4. That all the respondents would provide truthful and honest responses to all items in the questionnaires without fear and /or suspicion.

1.8 Definition of significant terms.

1. Public Primary School

Any primary school that is dependent on the government for provision and maintenance of teachers, provision of instructional materials, and maintenance of quality assurance services.

2. FPE- Free Primary Education

A formal schooling system effected in public primary schools that do not require parents to pay tuition fees and other previously compulsory school levies, but requires them to cater for uniform, transport and food. The government provides resources such as textbooks, exercise books, pens, desks teachers and classrooms.

3. UPE- Universal Primary Education

Basic Education, that ought to be provided at the primary school level, to all people, in all countries, all over the world.

4. EFA-Education for All

Education availed to all on an equal basis without any form of discrimination.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review.

2.1.1 Justification of FPE

Proponents of economic justification of education argue that education is an investment in human capital that is essential for development. This is as advanced by the human capitalists who argue that Less Developed Countries should invest in the development of human resources because investment in human capital pays higher returns than investment in physical Capital. They also argue that in the less developed countries, investment in education is the surest way of preparing for industrial take off. Foster (1982) argues that most post colonial states seems committed to national policies in which education for all, hereafter EFA and the free education at the primary level is guaranteed. Further, he argues that private and social rates of return are higher at the primary level than at any other level. Coleman (1990) summarized the importance of Education in Development by declaring. "As is the state, so is the school - what you want in the state, you must put in the school."

The ideals of EFA emanated from the 1990 world conference on education for all held in Jomtien Thailand and were reiterated in the Dakar during the 2000 World conference on EFA. These are highlighted in the national handbook on education for 2000 and beyond (Ministry of Education, 2001), and further in "Global commitment with a national outlook" declaration (UNESCO, 2000) that addresses the provision of quality basic education for all citizens in a country. Amongst the commitments of the Dakar conference includes "ensuring that by 2015, all children particularly girls, children in

difficult circumstances and those belonging to ethnic minorities have access to, and complete free and compulsory primary education of good quality". The national governments are expected to domesticate the EFA goals according to their own situations, needs and realities.

In Kenya amongst the strategies adopted for meeting the EFA goals at the primary level was to legislate and enforce free and compulsory primary education (ministry of Education, 2001). As per the Kenya Education Act (2001), every child in Kenya is entitled to Education, the provision of which is the responsibility of the government and the parents (section 7(1)). In addition, every child is entitled to free basic education, which is compulsory in accordance to section 28 of the UN convention on the rights of the child (section 7 (2)).

2.1.2. Education management

Education management refers to the application of management theory in the running of educational institutions. It entails the process of developing educational objectives and effecting resources to achieve the pre-determined educational goals (Okumbe, 1998). The Commonwealth secretariat (2000), in its article on educational management identifies five educational management functions namely education planning, organizing, directing, supervision and control, and evaluation.

Dean Joan (1995) reckons that the word manager as used in the context of education is a comparatively new phenomenon, yet in many ways descriptive of what is involved.

The head teacher in public primary school is charged with the responsibility of managing

resources, whether tangible or intangible, consumable or non-consumable. These resources include Finances, Physical resources, time, school projects, and human resources (school management guide, 1997).

Public administration, the management of public organizations of which a school is one of them, emphasizes goals which differs significantly from the goals emphasized by business organizations. The fundamental goal in any public administration is legislatively prescribed by the impact on the society, or on a sub-population of a society. Thus, public service is the primary goal, whereas efficiency and perhaps growth are secondary goals. This presents a measurement problem and it is sometimes difficult to determine the extent to which goals were achieved in a given period (Massie, 1987). It is then important to assess the extent to which head teachers are in effective control in primary schools.

Financial management as an aspect of management is the operational activity that is responsible for obtaining and effectively managing financial resources necessary for efficient operations. The primary objective of financial management is to ensure an efficient mobilization and utilization of financial resources. In the Kenyan public schools setup, the financial management function lies with the school committee. The head teacher, as the secretary to this committee is the principal accounting officer for the school. The committee should therefore be conversant with the processes of financial management and their legal implications (School Management Guide 2003).

The Kenya Government realizes the importance of sound financial management, and has set up the Kenya Education Staff-Training Institute, hereafter KESI. Its mandate is to,

among other things design, produce, assemble, and maintain staff training materials and equipments for use in the dissemination of managerial and administrative knowledge to all personnel working within the Ministry of Education. Aspects of financial management relevant in schools include the preparation of budgetary estimates and the management of schools resources. There is need to assess if indeed the head teachers apply this managerial knowledge in school administration.

2.1.3 Financial Information Systems

Effective management of financial resources is critical to the survival and success of public and other not-for-profit agencies. While the non financial manager will not be expected to be an accountant, bookkeeper or an auditor, any lack of familiarity with the concepts of accounting and other financial processes will limit the manager's ability to monitor and evaluate fiscal activities. Lack of an integrated financial management system that tie together the fiscal (budgeting, financing and controlling) and the substantive (planning, programming, and evaluating) sides of financial management tends to hamper rather than facilitate the unimpeded flow of required information to the appropriate responsibility center (Mckinney, 1986). In the Kenyan school set up the responsibility lies with the school heads, hence they should be equipped with basic financial management skills.

A Financial management information system (FMIS) organizes and converts the financial data into information, which enables the management to monitor, control, and effectively direct the operations of the organization. It is a system that is coordinated to bring relevant financial information together to aid in developing policies and practices

for raising, storing, applying and evaluating the use of monetary resources (Massie, 1987). Recently the view and meaning of what constitutes integrated FMIS has been changing. The emphasis is no longer on planning, programming and financing. Instead stress is put on the aspects of controlling, i.e. budgeting, accounting and auditing, and on performance management (Dotsey 1984). The budget and the accounting system are normally required to act in concert with each other so as to maintain control over the raising and spending of resources. Thus, the code of accounts used to identify accounting transactions typically parallels the code that keeps track of budgeting expenditure. The budget amounts serves as the standards that the accounting system uses to track deviations from actual and allowed expenditure. When the accounting system recognizes the deviations from the standard, it sends signals to the appropriate official for corrective action. In this context therefore, accounting is a powerful subsystem of the management information system in not-for-profit organizations. In the majority of them, it is the only information system (Mc Kinney, 1986). It is necessary to assess if there are any accounting systems in public schools that are used to track actual and allowed expenditure.

In an information system, accounting must be viewed as a strategic part of the total system, which has impact on all the other areas. Hence it should be designed as an effective and integral subset of the total information system. It must be recognized however that the conventional accounting system is not sufficient in itself to assess performance. It only allows for financial accountability. To assess greater performance, a variety of information including financial and non-financial information is needed.

The information system should be user oriented and designed to produce such variety of

information as needed (McKinney, 1986). Each school should organize its information system to capture information that will have multiple and comparative capability and applicability to the governmental entities.

Budgeting and management information system should be integrated to show the interconnection of all processes of management that are tied to the accounting system. The planning, programming, financing and budgeting phase represents the future orientation while controlling, evaluating and accounting represents the past and present state of affairs. An information processing system is not equivalent with computer hardware. This assumption makes many organizations to acquire expensive computer equipments, which has produced unacceptable low returns. The computer should be considered only after the information needs and the context of the organization including the manpower/ support staff requirements have been carefully considered (Mc Kinney 1986).

2.1.4 Budgetary Plan

Planning comprises of the strategy phase of the management process, and is usually adopted in the light of the forecast. It means making decisions on what to do, how to do it, and when to do it. It determines the course and the direction of action as a strategy. Budgeting is a fundamental aspect of planning as an estimate or a forecast. It is the examination of the strength in the resources revenue and the allocation of these resources to various task centers (Bellamy and Kluvers 1995). A budget indicates a specific policy direction for a specific period of time and contains coordinated choices aimed at achieving articulated goals and objectives. There are many Planning techniques that can

be adopted by schools such as the traditional (incremental) budgets, planning, programming, budgeting systems (PPBS), and the zero based budgeting (ZBB).

Incremental/ traditional budgets treat existing programs as already approved, subject only to increases or decreases in the financial resources allocated. The organizations historical costs are the base from which the budget starts and the focus of the budgetary process is on the change anticipated on the last year's figures. The advantage with this method is that it is less time consuming and the planning process is much simpler. However, there is a danger of having creeping costs whereby for example, a current year's costs are declared as 5% of previous year costs without questioning the basis of such a decision.

PPBS involve an analysis of all programs in terms of their objectives, costs, and an analysis of alternative ways of achieving the programs aims and objectives. This method starts with the question of what ought to be done, and works best if a clear answer can be given and where reasonable stability can be expected (Bellamy and Kluvers, 1995). However, it requires a considerable level of detailed analysis which is difficult to prepare and difficult for policy makers to assimilate. It may therefore not be an appropriate method for schools as there is need for detailed analysis.

ZBB, on the other hand, is a radical approach that can be likened to taking a clean sheet of paper and starting from the scratch at every budgeting session. The current and proposed expenditure has to be justified, building up alternative possible service levels or packages of services. Choices are made based on the cost and the service level combination, which is affordable in view of the overall objectives. Nothing from the past

is automatically rolled or brought forward. ZBB can work well especially when used as a special review of a particular set of services or as a consequence of a major policy change. ZBB is aimed at assisting the central management to better allocate scarce resources and control their use (Bellamy and Kluvers, 1995). This may be applicable at the Ministry of education any time there is a major change in the financial policy.

The master budget is the primary financial planning mechanism, which also provides the foundation of a traditional financial control system. The Master budget comprises of the operating budget and the financial budget. The financial budget incorporates both the capital budget as well as the cash budget. Cash Budget requires the identification of specific receipts and disbursements as well as their specific dates. It therefore calls for a keen understanding of the major and minor sources of funds in order to estimate cash availability. In order to achieve a realistic budget, Cash projections are made as per the projection period i.e. annually, semi annually or quarterly as appropriate.

Despite the fact that a cash budget is not an allocating instrument, it helps to identify the projected expenditure and revenue aggregates. These projections enable the cash manager to determine how much cash will be available or idle at various times during the year and for how long. It is not uncommon to find governments and other non-profit agencies maintaining separate bank accounts, useful perhaps for control. This is an impediment to effective cash management because it requires the cash manager to keep track of the individual balances with their separate cash flow patterns. The proliferation of bank accounts leads to a number of unacceptable results including the increased administrative costs, and reduced accurate projections of each separate cash flow. In addition there is the

problem of maintaining the minimum balance in each account (Mc Kinney, 1986). In the Kenyan public school setup, each school is supposed to maintain two accounts, the Tuition account and the operating account. This is probably to aid in controlling expenditure as per the guidelines.

Irrespective of the process used to prepare budgets, the budgetary process culminates in the proforma financial statements including the income statements, balance sheet and the cash flow statements.

2.1.5 Budgetary implementation and Control

A Budget provides a focus for an organization, aids in the coordination of activities, and facilitates control. In other words, once the top decision making organ of the organization has approved a budget, it must be implemented. Implementation involves engaging in the activities as directed by the budgetary plan. It also involves the continuous recording, and summarization of actual expenditure against the budgetary estimates to facilitate budgetary control. Control involves a regular comparison between the actual results and the budget for timely corrective action. The comparison reminds all concerned of the original plan against the actual development (Sagimo, 2002). Where there are differences between the plan and the actual achievement, they are investigated and if material, corrective action is taken and the variances explained in the financial reports. Schools should therefore make periodic financial reports. Every school should justify the difference between the ministry's allowed expenditure and its actual expenditure based on its specific circumstances.

2.1.6 Financial reporting

The main objective of financial reporting is to provide useful information to various user groups all of whom have different information needs, to aid in their decision-making processes. This is achieved through the presentation of periodic financial statements, which includes the Balance sheet, Income statement and the Cash flow statements. The balance sheet provides information on the financial position of an enterprise. The income statement provides information on the financial performance, while the cash flow statement provides information on the cash flows of the organization (Stain back and Peebles, 2006).

The users of the financial information find the financial reports important since they ensure that management does not suppress unfavorable information. This ensures there is financial accountability. Financial reporting in the public sector is a key element in the accountability of the Public sector bodies. It refers to the communication of financial information by an entity to interested parties and includes the internal reports that are distributed to people within the entity, as well as the external reports, made to people outside the entity. It encompasses financial statements as well as the financial information presented in the budgets; fiscal plans, estimates of expenditure, and reports on the performance of individual programs or activities. These should be made available to all stakeholders on a timely basis and in addition, they should be understandable, relevant, reliable and comparable (Nicholas, 2007). This raises concerns as to whether schools' annual reports on a timely basis and if they are available for scrutiny by the various stakeholders.

Reporting the actual progress against the budget influences the restart of the budgeting process for the next period. The basic control process in a budgetary system is feedback, i.e. a comparison of the actual expenditure with the budget and the subsequent corrections. A cybernetic control model can be used to facilitate the feedback system. It requires

“ An objective for the system being controlled- in the case involving public funding in the provision of services, the objective may be to stay within the external financial limits.

A means of measuring results along dimensions defined by the objective- the public sector objective is to provide services whether economic and efficient or not, hence this measurement criterion is more problematic.

The choice of action, - which in the public sector is complex and with little management freedom (Anita et al, 1988. pp71-72))

There is need to establish if in the public primary schools set up, feedback from a given period influences the budgetary process in the subsequent period.

2.1.7 Internal Controls and External Auditing

Internal control refers to all methods and measures adopted within an entity to safeguard its assets, check the accuracy and reliability of accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.

An effective internal control system should bear the following characteristics:

“Appropriate segregation of responsibilities, in order to reduce the probability of fraud e.g. there should be a separation of custodial, record keeping, and authorization responsibilities.

Clearly defined line of authority and responsibility - If operations are to be appropriately controlled, each employee must be held accountable for specific assets, liabilities or activities. There should be procedures manuals for identifying and describing the tasks assigned to the persons holding the various positions.

Appropriately qualified personnel i.e. people charged with responsibility should be appropriately qualified and honest in their operations.

Appropriate records, authorization and approval procedures- Records should be organized along authority lines i.e. responsibility accounting.

Reporting procedures should show the extent to which the assigned responsibilities have been achieved”(Thomas and Henke, 1986 pp 236).

In the school setting, the head teacher as the primary accounting officer may have a multiple of responsibilities. This explains the requirement by the ministry for schools to form various committees. It is important to assess if in these committees, there is segregation of responsibility and defined lines of authority.

Budgets are used as devices for controlling operations and for measuring the extent to which organizations have achieved, or failed to achieve activities directed in the budgetary plan. Authorization and approval procedures are important to the division of the responsibilities associated with a particular transaction sequence among two or more people. These procedures bring together the judgments of several persons in connection to the decision.

There should be a working mechanism for protection of assets and records. - Appropriate facilities should be provided to safeguard both assets and records

from unnecessary deterioration, destruction, misplacement or loss. Appropriate maintenance policies should be followed for fixed assets to prevent premature loss of usefulness. Back up records should also be maintained (Thomas and Henke, 1986).

The characteristics cited are only useful if they are actually being carried out in practice. Effective monitoring of compliance mandates the use of a separate internal auditing department in the profit making bodies. However in the public sector this is done by the external auditors. There is then a need to establish how effective the quality assurance officers are in ensuring compliance to sound financial management practices.

Okumbe (1998) defines auditing in educational institutions as an investigation of financial records of an educational organization to ascertain the objectivity and accuracy of financial statements. He asserts that auditing on schools accounts is the final stage in the process of managing school funds since at the end of each financial year, the head teacher should prepare and present to the SMC an audited financial report as an act of good governance. The Audit tests validate the information generated by the FMIS. It provides feedback information to those in authority for the purpose of reinforcing and strengthening the control systems.

The auditors a duty essentially relates to the production of an audit report which gives their opinion as to whether the financial statements show a true and fair view (Anita et al. 1988). This report provides an independent verification and assurance about the completeness and credibility of financial and related records, attesting to " the correctness

of a calculation, existence of an object, the accuracy of a statement, the reliability of a report, or the occurrence of an event"(Anita et al, 1988: 36) Within the public sector, the external audit of accounts is technically similar to the audit of accounts in the private sector. However, the public sector external auditors have a wider remit, as they are required to deal with issues as diverse as fraud investigations and value for money. These reports are normally produced annually yet there is a demonstratable need for an on going appraisal functions of auditing. (McKinney, 1986). This reinforces the need for a continuous internal control and auditing in schools since funds are remitted in lump sum to enhance their optimal utilization.

2.2 Empirical studies Review

Kneale (1977) in a study based in Florida USA, studied the effects of individual schools being allocated money in lump sum based upon the number of students and the principal being given great discretion in the spending of the money. He found out that School-based management enabled schools to better serve the needs of the students. He also found that the principals in this case involved the parents and teachers more in the determination of the budget; this made them more concerned about the direction of the schools. Kneale thus recommended the involvement of parents and teachers in the preparation of the annual budgets. This, if applied in the management of FPE funds could probably result in greater value for money, as actual pupils needs would be addressed.

Lincoln (1981) studied the practices in the administration of student finance activities in public secondary schools in Montana. He found that practices and procedures in business

management of student activities have changed substantially towards conformity to practices recommended by writers and experts in the field of student activity finances. He found that the aspects in which there was greatest conformity included:

The use of written policy statements

The use of a central fund and a central treasury system

The use of periodical financial statements

The aspects in which he found least conformity were:

The use of a budget,

and the use of an internal audit.

A Study by Ngaba (1990) on working capital management practices in secondary schools in Kiambu District, Central Kenya documents that the school heads bear most of the responsibilities in preparing the cash budgets, and only in very few cases are the responsibilities shared between other stakeholders. He also found out that 63.16% of the schools did not have an inventory policy. This leaves the acquisition of inventory open to the risk of fraud between the acquiring and the selling parties, by say, inflating prices, or supplying excessive stocks so as to cash in on the kick backs. Ngaba, in conclusion notes that there is a lack of professionalism in the management of school finances. He recommends that qualified personnel be employed in the management of school finances considering the huge expenditure involved in Education. He also recommends that KESI should continually train head teachers on financial management and a not merely financial accounting procedure as was found to be the case. This would ensure that financial management skills are incorporated not only in the decision making level but also at the point of incurring and controlling expenditure.

A study carried out by the Ed-source school services research team of California in November 1996 examined financial management practices in 135 California school county's(Comparable to education zones in Kenya). The study examined how the countys vary in qualifications and stability of responsible personnel, nature of the leadership and their management practices. It also looked at the relationship between aspects of a county's operations and a measure of fiscal health and the extent to which conditions outside its control relate to its' fiscal health. The study attempted to develop a methodology to identify the fiscally troubled countys in the state of California where the revenue system is state controlled, and there is very limited options for varying the amounts of funds received, as this is proportional to the number of students served.

The findings indicated that some counties allow financial problems to go undiagnosed beyond a point where effective intervention should occur. The study documented that in California, schools remain healthy to a large extent due to conditions largely outside their control i.e. per pupil funding, such that the more the pupils enrolled in a school, the greater the fiscal health. Finally the study documents that fiscal health variations can also be explained by differences in financial practices by the personnel, indicating that "Leadership stability can have far reaching impact since stability provide an environment in which county goals and priorities can be consistent and clear with important professional practices being observed".

Karai (1998) conducted a study on KESI in-service programs as perceived by head teachers, found out that although management of financial resources is a critical area in

school in determining the general development of the school, most head teachers performed badly in financial management. He attributed this to fact that head teachers are mainly appointed from the lot of classroom teachers on the basis of excelling in their teaching subjects. This he notes, is an approach that fails to take cognizance of the fact that being a good class room teacher does not necessarily mean that one will be a good administrator. One of his recommendations is for an induction course on management to be a prerequisite to school head ship.

Mutahed Company Consultants (1999) in an assessment of audits in government ministries and parastatals found that the audit unit of the Ministry of Education has inadequate basic working tools such as and fuel, paper, stationery, and equipments such as calculators, computers and photocopiers. The consultants concluded that in such a case, the audit unit couldn't carry out the tasks effectively. It is important to establish if since the implementation of FPE in year 2003, the audit unit has been effective.

The Koech report (1999) referred to as the TIQUET report, noted a backlog in the auditing of educational institutions as a major factor contributing to mismanagement, and misappropriation of funds in educational institutions. Paragraph 6.2.3 of the needs analysis of the ministry administrative and professional support services to education institutions in Kenya reveals that mismanagement of school resources partly arises out of the weakness inherent in the audit services of the ministry. This is because the audit units at the district level are marginalized in activity and location. The Koech report recommends that a parallel unit be set up within the finance and administrative section at the ministry head quarters.

The findings on Education management as documented by UNESCO (2000), in the EFA Global Monitoring Report, found the Education system in most developing countries to be inefficient resulting in wastage of resources. Several factors were found to have had a severe impact on Education and still pose a major challenge to achieving EFA by 2015. These included lack of adequate resources in schools, inadequate remuneration amongst staff, hence low morale and a lack of motivation, poor financial planning, inefficiencies, and a lack of accountability amongst school heads.

A Birmingham schools advisory forum held on 30th June 2004 in Birmingham, UK provided details on financial management standards for schools. This was in response to a pilot study carried out in 2002 in a cross-section of 175 Birmingham schools. The conclusion of the pilot study was that the schools would benefit from professional help in evaluating the quality of their financial management and in training staff to become good financial managers. The findings of the pilot study indicated that there is a need for clear and consistent voluntary standards for financial management, which schools nationally could aim to achieve and provide a benchmark to encourage self-improvement. Further recommendations included the need for a self-evaluation tool to help schools identify their current strengths and weaknesses and prioritise action for improvement.

Other recommendations from the Birmingham schools advisory forum were the need to develop an external evaluation tool and the provision of a guide to schools on all the significant sources of advice on what constitutes good financial management so that schools can more easily access guidance and help when in need. This can be applicable in Kenya especially in schools based in remote areas where the teacher is seen as the most

educated person and may not easily access help/guidance when in need

Mutiira (2004) in a study of the factors hindering effective implementation of FPE in Meru District Eastern Kenya notes that the audit section is still manned by education officers and not professional auditors and thus the audit lacks professionalism. He also notes that the linkage between the field audits and the ministry head quarters are extremely weak in that the District Education Officers forward the audit reports to the Headquarters without involving the provincial officers making it impossible for the ministry to verify the reports.

Kioko (2004) in carrying out a survey of administrative problems encountered by public primary school head teachers in Makueni District, Eastern Kenya, found that the grants given to schools do not reach the school in good time (30%) of all times, and that the funds are inadequate for financing all the school programs. He found this to affect the running of the institutions, as the materials are not bought in good time and the non-teaching staff complains of salary delays. In an initial survey of Head teachers who had undergone primary School Management (PRISM) courses. Kioko (ibid) found that the head teachers who had undergone PRISM training applied accounting procedures that were of acceptable standards. However, he noted, "the initial training of head teachers was a hurried program based on the assumption that they had basic financial management skills. Those head teachers who maintained proper records were found to spend more than 50% of their time working on the books of accounts leaving them with little time for curriculum supervision. Record keeping was generally poor and the school heads had a problem of maintaining a cashbook and accounting records."

Otwani (2004) carried out a survey of problems faced by public primary school Head teachers in Busia District Western Kenya. He found that the Head teachers were not competent at handling the school finances and the matter was worsened by the lack of accounting personnel in schools. He argued that though there was a possibility of employing an accounts clerk, the remuneration quoted was too low and discouraged potential applicants. He also found that the head teachers also face problems in repairs, maintenance, and improvements as the allocation was inadequate, and the parents were found to be very uncooperative as they expected the government to provide every thing for free. As a consequence, pupils were still found to learn under the trees as classrooms and furniture are inadequate, and the existing buildings were found to be dilapidated and required immediate repair soon as any further delays would make the eventual and unavoidable repairs very expensive.

Maina, (2005) conducted a survey on the factors affecting the implementation of FPE in Nairobi Kenya. She found that although the head teachers were enthusiastic about the FPE, they felt there was need to improve on remuneration as compensation for the extra burdens arising out of increased responsibilities in financial management.

An audit conducted in Long island in 2006 sought to examine the financial practices at the deposit central schools. This was part of the statewide effort by the state comptrollers office to improve fiscal practices in schools in response to widespread theft and questionable actions that were discovered in several schools in long island in 2004. The audit examined internal controls and the segregation of duties over the non payroll related cash disbursements for the period between 1st July 2004 and 4th January 2006.

During the period, 3579 cash disbursements amounting to approximately \$9.2 Million were made. 184 cash disbursements representing 5% of the disbursements were sampled.

Findings of the Long Island audit indicated that where there were proper fiscal practices, claims were properly authorized, documented and paid in accordance with the established procedures and policies. All oversight duties were given to separate employees to ensure no one person controlled all aspects of financial transactions. For example, the goods and services received by a school are checked off by an employee, who then forwards the purchase order to the central business office for processing of payments. The accounts clerk then attaches the invoice to the signed purchase order and sends them to the internal auditor who reviews the package for accuracy and legitimacy before authorizing payment. This segregation of duties was found to be critical in helping to detect errors and prevent theft. It is important to establish if there is any segregation of duties to ensure different people control different aspects of a financial transaction in the Kenyan school setup.

The studies undertaken and quoted in the above review have dealt with the various aspects of management as practiced in various institutions across different countries, and have tried to address the gaps as well as offer recommendations to improve management in public institutions.

In specific reference to the studies carried out in Kenya, Ngaba (1990) noted there is a minimal involvement by other stakeholders in the budgetary process. He also commented on a lack of professionalism in the management of schools financial resources. Karai

(1998) assessed the impact of in-service management courses for head teachers organised by KESI to enhance professionalism. He notes that while this had a positive impact, a lot of the core business in schools is sacrificed as teachers tried to perfect management.

Other studies carried out since the implementation of the FPE, assess the administrative issues. Otwani (2004) found the head teachers to be ineffective in general management, while Maina (2005) recommends greater remuneration to compensate teachers for the extra responsibility in financial management. Mutiira (2004) observed that school audits lack professionalism. Kioko (2004) assess the impact of delays in remitting school funds.

This study aimed at evaluating the financial control measures in place in the public primary schools considering that the funds are managed directly by the individual schools. Further the study assessed if there are clear and consistent standards that all the schools aim to achieve as a benchmark for professionalism both at the school level by the head teachers, and the supervisory level.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

Descriptive and diagnostic research studies were conducted. Descriptions in this case concern itself in depicting the present position and characteristics of financial management practices found in the individual schools. Diagnosis concern itself with the frequencies with which a given consideration occurred or failed to occur (Uma 2003), and its association with financial management practices.

Gujendra (1981) asserts that since description involves elements of comparison and of relationship of one kind or another, it is ideal for making interpretations of meaning or significance of what is being described. According to Kane (1995), description uses all the research techniques in the social sciences kit while examining attitude and behavior in a natural setting. The schools were evaluated in their normal running. Robson (1993) indicates that the descriptive studies are advantageous in that they may be adopted to collect generalisable information from almost the whole population.

This study was based in Thika district of Central province, Kenya. At the time of the study, the greater Thika district had a total of 168 schools and was divided into Thika rural, with 144 schools and Thika municipality with 24 schools. Thika district had a population of about 646,000 people. It was predominantly rural but with its urban population soaring rapidly.

3.2 Target population

The target population of the study was all the 168 public primary schools in Thika district. Quality Assurance and Standards Officers were incorporated in the target population as they were in charge of the implementation of all education programs in the district.

3.3 Sampling

Thika rural district was stratified into nine education zones. The sample was picked from each zone from which a sample of four schools was randomly selected. Six (6) schools were selected from the Thika Municipality using the same method. A total of Forty two (42) schools were sampled comprising 25% of the target population.

3.4 Data collection

Primary Data was obtained with the aid of questionnaires to head teachers (Appendix II). This was used to gather information on the background of the head teacher, and the various aspects of financial management as practiced on a daily basis in the schools. Questionnaire to Quality Assurance and Standards Officers(Appendix III) gathered information from the education officers on their observations relating to financial management practices by school head teachers from their experiences in their course of duty.

Permission was sought from the Ministry of Education. The District Education and the Municipal Education offices in Thika were notified of the intended study before its commencement. The researcher then self-administered the questionnaires to the quality

assurance officers, and to the head-teachers. This was done using a drop and pick method. Respondents were given three weeks to fill in the questionnaires after which they were collected for data analysis.

3.5 Data analysis.

Data analysis centered on descriptive statistics. This involved use of frequencies and percentages to answer the research questions and objectives in relation to the research topic in a simplified way.

The first analysis was the description of the schools so as to capture their situation at the time of the study. This was based on a number of factors such as the type of school, size, and accessibility, among other factors. It also sought to capture information regarding the characteristics of the head teachers on factors such as the academic qualification, experience, and length of stay in the current station.

Critical financial management practices such as the preparation of cash budgets. Budgetary implementation, internal control measures, financial reporting, and external auditing were then assessed based on their contribution to the financial management practices in the Public primary Schools.

Discussions from the above resulted in diagnosis and descriptions summarized in terms of frequency and percentage tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS, AND DISCUSSIONS

4.1 Introduction

The survey took place in the month of September; 2007. Data collection instruments were distributed to the two categories of respondents, i.e. the Head teachers and the Quality Assurance and Standards officers.

Forty two (42) questionnaires to the head teachers (Appendix II) were distributed. Seven (7) were filled at the time of distribution while Thirty (30) respondents wanted more time. Five (5) respondents outrightly declined to participate in the study with three(3) citing busy schedules, and two(2) indicating that the information sought was too sensitive. Since the study was timed, those respondents who did not fill in the questionnaires within three weeks were considered non responsive. A total of 33 questionnaires were received back. This gave a 78.6% response rate, representing 19.64% of the total population.

Table 4.1.1 Questionnaires returned by head teachers

Type of School	Issued	Returned	% of total returned
Rural	30	24	72.7%
Urban	12	9	27.3%
Total		33	100%

It was observed that the majority of the participants were rural schools. This was found to be representative of the schools in Thika as 130 schools (77.3%) were rural and only 38 schools (22.7%) were urban.

Six questionnaires were initially distributed to the Quality Assurance and Standards Officers. (Appendix III) .Of these, Five were received back giving 83.3% response rate. The sixth targeted participant was on annual leave and could not be reached by the researcher.

4.2. General information about the Head teachers

The head teacher in the public primary school is considered as the “accounting officer” since no employee deployed by the government to schools to perform accounting duties. The background information of the respondents (summarized in tables 4.2.1 to 4.2.3) was sought to assess if it affected the financial management practices in any significant way.

Table 4.2.1 Professional qualification of Head teachers

Level of Education	Frequency	Percentage
ATS	15	45.5%
Diploma	13	39.4%
Degree	5	15.1%

Table 4.2.2 Experience in Primary school headship

Number of years	Frequency	Percentage
Below 5 years	6	18.2%
6-10 years	12	36.4%
11-20 years	10	30.3%
Above 20 years	5	15.2%

Table 4.2.3 Length of stay in current station

	Frequency	Percentage
Less than 5 years	2	6.1%
5-10 years	14	42.4%
More than 10 years	17	51.5%

It was found that all the school Heads had professional academic qualifications of at least the Approved teacher status III, equivalent to a diploma level. 81.8% of the heads had a headship experience of more than 5 years, and transfers were found to be infrequent, as 93.9% of the school head had served in their current stations for more than 5 years.

4.3 Information about the schools

The government provides a capitation grant of Ksh 1020 per child per annum. Hence school receives different amount depending on the number of pupils enrolled. 90.9% of the respondents (30 schools) indicated they received the funds as per the actual enrollment, with 86.7 % (26 schools) indicating that the funds were received promptly.

Table 4.3.1 Pupil Enrollment

Number of pupils	Frequency	Percentage
Below 300	4	12.1%
301-600	7	21.2%
601-900	11	33.3%
901-1200	8	24.2%
Above 1200	3	9.1%

Table 4.3.2 Support staff Employed

Number of support staff	Frequency	Percentage
0	11	33.3%
1	13	39.4%
2	5	15.2%
More than 2	3	9.1%

It was found that all schools with an enrollment of more than 600 pupils were able to employ at least 1 (one) support staff while those with a lower enrollment did not employ any support staff. These schools used service of the teachers for tasks such as secretarial duties, messenger duties among others. This indicated that there were economies associated with the size of the school and those schools with an enrollment of less than 600 pupils were found to be disadvantaged.

4.4 Budgetary practices

All the 33 respondents affirmed that they actually prepared a cash budget. This was in response to question 3 of part 2 of the questionnaire to head teacher (appendix II). The responses summarized in tables 4.4.1 to 4.4.9 were in response to questions 4, 5, 6, 8, 12, 13 and 14 of appendix II and question 7 of the questionnaire to quality assurance and standards officers (appendix III). The following abbreviations were used in the tables:

H/T - Head teacher

SMC - School Management Committee

SIMSC - School Instructional Materials Selection Committee

MOE - Ministry of Education.

Table 4.4.1 Responsibility for preparation of cash budget

	Frequency	Percentage	Cumulative %
Valid h/t	1	3.0%	3.0
SMC	26	78.8%	81.8
SIMSC	2	6.1%	87.9
Parent	4	12.1%	100.0

Table 4.4.2 Time frame for budget

	Frequency	Percentage	Cumulative %
Monthly	1	3.0%	3.0
Termly	7	21.2%	24.2
Annually	25	75.8%	100.0

Table 4.4.3 Presentation of the budget to SMC

	Frequency	Percentage	Cumulative %
Presented	26	78.8%	78.8
Not Presented	7	21.2%	100.0

The tables indicate that:

a) The preparation of the cash budget was mainly the responsibility of the SMC.

However, most head teachers expressed the notion that the SMC relied on the school Head teachers to determine the budget and only called the meeting to confirm it.

b) The budget was mostly prepared on an annual basis (75.8%) although at the time of budget preparation the amounts expected for the 2nd tranche of the FPE funds would normally not be certain as known as enrollment kept on changing.

c) Although 78.8% of the schools indicated they presented the budget to SMC for discussion and approval, 24.2% of the schools indicated they didn't prepare an annual budget, yet the SMC met to discuss the budget annually. This implied a need to harmonize the time frame for the school budgets to make SMC more effective in discussing the budget.

Table 4.4.4 Factor Influencing Budget

	Frequency	Percentage	Cumulative %
Tradition	5	15.2%	15.2
Expected changes in prices	1	3.0%	18.2
Predicted enrolment	2	6.1%	24.2
M.o.E Guidelines	25	75.8%	100

Table 4.4.5 Responsibility of checking adherence to budget

	Frequency	Percentage
H/T	2	6.1%
SIMSC	4	12.2%
SMC	20	60.6%
M.o.E Official	7	21.1%

Table 4.4.6 Review meetings to address variances

	Frequency	Percentage
Meetings Held	27	81.8%
Meetings Not Held	6	18.2%

Table 4.4.7 Frequency of Review meetings

	Frequency	Percentage
Annually	21	77.8%
Termly	6	22.2%

Table 4.4.8 Assessment on H/T ability to follow M.o.E guidelines

	Frequency	Percentage
Followed	3	60%
Did not follow	2	40%

The tables indicated that:

- (a) 15.2% of the school were found to rely on past budgetary patterns (tradition), 3% considered the expected changes in prices, while 6.1% factored in predicted enrollment figures. 24.2% of the schools were found to ignore the M.o.E guidelines. This confirmed the response by the Quality Assurance Officers who indicated that only 60% of the schools were able to follow the M.o.E guidelines on utilization of FPE funds.
- (b) 60% of the schools indicated that the SMC was charged with the responsibility of checking adherence to the budget. 81.8% affirmed that review meeting, are usually held to address variances. This suggests that in many cases, the budgetary plan was not followed in many schools necessitating the need to have review meetings in many schools.

The measures adopted by various schools to address the budget variances in response to question 15 of Appendix II were analyzed in table 4.4.8 below:

Table 4.4.9 Measures adopted by schools to address budgetary variances

Measure	Frequency	Percentage
Re-allocation of funds do various vote heads	2	7.4%
Asking for parents to finance exams, electricity bills etc.	9	33.3%
Seeking further funding from CDF, and other grants	2	7.4%
Carrying debts to next financial	4	14.8%
Reverting back to M.O.E guidelines	10	37.1%

4.5 Procurement practices

The responses summarized in tables' 4.5.1 to 4.5.5 were in respect to questions 9, 10, 11, and 23 of appendix II.

Table 4.5.1 Responsibility of identifying suppliers

	Frequency	Percentage	Cumulative %
H/T	3	9.1%	9.1
SMC	26	78.8%	87.9
SIMSC	3	9.1%	97.9
Parent	1	3.0%	100.0

Table 4.5.2 Credit purchases

	Frequency	Percentage	Cumulative %
Yes	9	27.3%	27.3
No	24	72.7%	100.0

Table 4.5.3 Average credit period

Credit Period in days	Frequency	Percent	Cumulative %
30 days and below	1	11.1%	18.2
31-60 days	6	66.7%	75.8
Above 90 days	2	22.2%	100.0
Total	9	100.0	

Table 4.5.4 Average debt per annum

Debt, in Kshs	Frequency	Percentage	Cumulative %
Below Shs 2000	2	22.2%	6.1
Shs 2001-5000	4	44.5%	27.3
Shs5001-10000	1	22.2%	97.01
Above Shs 10000	2	11.1%	100.0
Total	9	100.0	

Table 4.5.5 Point of Signing Cheque

	Frequency	Percentage
Cash with Order	2	6.1%
Cash on Delivery	31	93.9%

The tables indicate that:

SIMSC had the responsibility making the procurement decisions in 78.8% of the times.

Credit purchases were not popular as only 27.3% of the schools engaged in them. Even

where practiced the average credit period was less than 60 days in 78.8% of the schools and the credit amount did not exceed Kshs 10,000 per annum in 88.9% of the schools. Credit purchase were not popular and even where done the repayment period was less than 60 days in 78.8% of the cases and are debt annum was Ksh 10,000 below in 88.9% of the cases .94% of the schools paid for the provisions after they were received in school, and only in 6.1% of the times was the payment done when placing the order.

4.6 Maintaining of accounting records

Table 4.6.1 Records maintained by schools

Record	N	Min	max	mean	Std dev
Payroll	33	2	2	2.00	0.00
Stores register	33	1	2	1.09	0.29
Imprest register	33	1	1	1.00	0.00
Telephone calls register	33	1	2	1.85	0.36
Manual work register	33	1	2	1.94	0.24
Chequebook&counterfoil	33	1	2	1.97	0.17
Text bookregister	33	1	1	1.00	0.00
Cash book	33	1	1	1.00	0.00
Claims register	33	1	1	1.88	0.33
Creditors register	33	1	2	1.79	0.42
Receipt book	33	1	2	1.00	0.00
Mileage	33	2	1	2.00	0.00
Payment voucher	33	1	2	1.00	0.00

Source: Research Data

Table 4.6.2 Responsibility of Maintaining Accounting Records

Person maintaining records	Frequency	Percentage
Head teacher	10	30.3%
SMC	1	3.03%
SIMSC	1	3.03%
Parent	2	6.06%
Hired help on behalf of H/T	19	57.58%

According to the Quality assurance and Standards officers in response to question 10 of Appendix III, the schools were expected to maintain the cashbook, payment vouchers, stores ledger, and procurement records for purposes of inspection. It was observed from table 4.6.1 that all schools maintained payment vouchers records, receipt books, cash book, text book register, Cheque books and Imprest register. This was in agreement to the M.o.E guidelines as contained in the management manual for education institutions (2002). However, schools didn't maintain a stores register as required with a mean of 1.09 and standard deviation of 0.29.

According to the Quality assurance and Standards officers, head teachers were found good financial managers as 83.3% of the officers indicated that school heads maintained the required books. However the findings in table 4.6.2 above showed that 57.6% of the head teachers hired outside help to update all the accounting records required solely for inspection purposes.

4.7 Internal Controls

The respondents were asked to indicate who performed various tasks to assess the level of separation of custodial, records keeping and authorization responsibilities in order to promote operational efficiency and reduce the probability of fraud. Findings were summarized below:

Table 4.7.1 Performance of tasks for internal control

Duty	Receiving goods	Preparation of, Payment vouchers	Disbursement of cheques	Custodian, Chequebook	Approval, reimbursement of Petty cash
Headteacher	15.2%	84.9%	100%	93.9%	21.2%
SMC	57.6%	3%	0	6.1%	78.8%
SIMSC	15.2%	9.1%	0	0	0
Parent	12%	3%	0	0	0
Total	100%	100%	100%	100%	100%

Source: Research data

According to the research findings, decision to incur major expenditure in Public Primary Schools was found to be through application of grants from the ministry and other public funds. These included the Community Development Fund, and the Local Authority Transfer Fund. The School head teacher managed the funds in liason with the donor. Records for such expenditure were not available.

School were found to hold differing amounts of petty cash with 52.5% of the schools holding between Shs 2,001 -5,000 and 42.4% held between Shs5,000-10,000 while the rest (6.1%) held a petty cash of below Shs2,000. The responsibility of approving of the reimbursement of petty cash was on the chairman SMC (78.8%) but in 21.2 % of the

schools, the head teacher approved the reimbursement and at the same time managed the petty cash. This was found as an irregularity since it the head teacher was not accountable to anybody and was therefore likely to misuse the petty cash funds.

All the respondents indicated that the M.o.E guidelines on petty cash were unrealistic and they therefore had to devise the amounts to hold. However regardless of the amount of petty cash held, payments made from the cash across all school was found to be within good accounting practice as it included but not limited to local transport and traveling, emergencies, telephone expenditure, postage, minor repairs, and visitors' lunches among others. In all the school the signatories into the bank account were found to be uniform being the chairman SMC, treasurer SMC, and the head teacher.

4.8 Training on financial management

The respondents were asked whether they had undertaken any training in financial management since the inception of the FPE program. The research data indicated that all the 33 head teachers had undergone some training in financial management.

Table 4.8.1 Length of financial management training undertaken

	Frequency	Percentage
1-5 days	4	12.1%
5-10 days	12	36.4%
10-15 days	17	51.5%
	33	100%

The training sessions were organized by the ministry of education headquarters staff, KESI staff, and district education officer staff.

Whereas the M.o.E headquarters staff and KESI staff could not be reached for this research, the district level officers indicated that they were well trained to facilitate such management courses. All the education officers had attended financial management courses with regard to inspection of FPE funds. In addition, 80% of the officers were found to hold a university degree while 20% was found to hold a masters degree. They all had experience of more than 5 years and were therefore found competent to oversee the training and actual practice of the head teacher. 50% of the officers indicated that the school head teachers frequently consulted them on financial management issues while the other 50% indicated they were rarely consulted.

4.9 Financial reporting

All the 33 schools were found to post in the school notice board the break down of FPE funds received and spent. However the information posted was found to be a public relation exercise as it reflected figures as should be spent according to the MOE guidelines and not the actual practice. This only seemed to serve the objective of seeming to stay within the external/ ministry financial limits thus; this “artificial” feedback was not found in any way to influence the budgetary process in subsequent periods since as per the MoE policy guidelines, the allocations were supposed to be fixed. However, head teachers were found to be cleverly manipulating the guidelines and concealing their actions by reporting only what the ministry expected.

4.10 External auditing

The research findings indicated that the head teachers were required to submit books annually for inspection specially the books that were required for inspections were the cashbook, payment vouchers, stores ledger and procurement records. In cases where other issues were raised by stakeholders, more frequent audits and inspections were undertaken. 30 of the school representing 90.9% of the school in the last had at least one audit, while 9.1% of the school had not been audited in the last one year.

Table 4.10.1 Frequency of Audits in schools

No of audits	Frequency	Percentage
Once	22	73.3%
Twice	4	13.3 %
More than twice	4	13.3%

4.11 Suggested measures for enhancement of financial management

Head teachers were asked to highlight issues related to financial management that they thought would enhance the financial management on the FPE funds. The responses included: More frequent training on financial management, Relief from other teaching duties so as to concentrate on management, employment of schools' accounts clerk by the government, and better remuneration due to additional management duties.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The objective of the study was to establish the nature of financial management control measures in place in the management of FPE funds. To achieve the study objective, primary data was collected using questionnaire from 33 public primary schools within Thika district and five quality assurance and standards officers working in Thika district. No secondary data as used in the survey. The primary data was analyzed using percentages, frequency tables, means and standard deviations. Conclusions were then drawn from the findings. The following conclusions were reached from the reach findings:

5.1.1 Role of the head teacher in the SMC

Since the head teacher was found to be the key person in the management of FPE funds the background of the head teacher was assessed. 81.8% of the head teachers had more than 5 years experience in headship with over 93.9% having stayed in their current stations for over 5 years. Due to the long periods of stay, the head teacher was found to have an upper hand in the activities of the S.M.C and was found to be free, almost casual in the way they referred to the work of the SMC. Considering that he SMC is charged with the greater responsibility in the management of FPE funds and the head teacher is a member of the committee, there is a need to transfer the head teachers more frequently from their stations to enhance a more professional relationship with the SMC.

5.1.2 Financial strength of school and contributory factors

At the time of conducting the study, the pupil population was found to be diverse with some schools having an enrollment of below 300 (12.1%) while 9.1% of the schools had an enrollment of above 1200 pupils. The schools with higher enrollment were found to be able to employ support staff as they drew from the economies of scale. This is because the FPE fund availed per pupil allocation. It was therefore found necessary for the allocation of FPE fund to be made in such a way as to ensure that schools with lower enrollment were not unnecessarily disadvantaged.

5.1.3 Budgetary planning and implementation

All the 33 respondents indicated they undertook budgetary planning. However the responsibility of budget preparation was found to be with the SMC with a mean of 2.27 and standard deviation of 0.72. The responsibility of checking if there was adherence to the budget was also found to be with SMC with a mean of 2.97 and a standard deviation of 0.77. Since the head teacher was found to have great influence on the SMC there is a likelihood of the SMC being used to rubberstamp the head teacher ideas in the budget. Hence there is a need to empower the SMC through formal training so that the budgetary process is not only a matter of public relation exercise.

5.1.4 Procurement practices

The research findings indicated that the Head teacher received goods 15.2% of the times, prepared the payment vouchers 84.9% of the time disbursed the Cheques 100% of the time. The head teacher was found to be the custodian of the Chequebook 93.9% of the time. In 93.9% of all the cases, the Cheque was signed on delivery of goods

This suggested that the amount payable to suppliers could only be written on the cheques when the goods were received into the schools (Cash on Delivery). This indicates that in the 15.2% schools where the head teacher received the goods, blank cheques could previously have been signed as the other signatories were not present to receive the goods. This presents an opportunity for misuse of the FPE funds as there is a possibility of the head teacher colluding with the suppliers to indicate a higher amount than the value of goods received so as to benefit on the kick backs. However 100% of the schools indicated that commission received from suppliers were converted into more supplies such as books and other school stationary for the schools' benefits.

5.1.5. Credit management

A minority of schools (27.3%) was found to make purchases on credit and enjoyed a credit period not exceeding 90 days. However none of these schools could account for the cash discounts received. This could imply that the respective School Management Committees were not aware of the cash incentives associated with credit terms. This calls for training of the SMC to ensure that all the benefits arising in the utilization of FPE funds revert back to the school and not to individual executing the payments.

5.1.6 Internal controls

The research findings indicated that there was an attempt by the ministry to separate duties amongst various categories of stakeholders including the SMC, SIMSC, and the Head teacher. These were expected to undertake various tasks concerning procurement of goods, Approval and authorization. However in actual practice the head teacher was still found to bear most of the responsibilities. The SIMSC was found to be least involved

in the actual management of the funds although the ministry's policy is that it should be actively involved in management of school supplies. The research established that in only 15.2% of the time was SIMSC involved in receiving goods. SIMSC was however actively involved in the identification of the supplier with a frequency of 26 and a percentage of 78.8% and a mean of 2.06 with a standard of 0.5%. There is need to make the SIMSC more independent to enhance its role especially in the procurement process.

The management of the petty cash was found to differ between schools. In 78.8% of the schools, the SMC approved reimbursement of petty cash to the head teacher. In 21.2% of the schools the head teacher was found to approve the reimbursement, and manage the Petty cash. It was not clear how the head teacher got the reimbursement fund as the Cheque had three signatories.

5.1.7 External audits

The research data indicated that the head teacher submit their books for one routine annual audits. Other abrupt audits were carried out only when there are complaints from stakeholders. However the research indicated that headmaster engaged outside help to prepare the books for routine audit exercise in 57.6% of the times. There is a likelihood that the audits, especially since they are carried out by education officers and not professional auditors do not get to discover any malpractices in the schools. There is a need to increase the unannounced audits and also to engage professional firms to carry out the school audits.

5.1.8 Financial reporting

Financial statements prepared by the public primary schools for presentation to stakeholders are the income and expenditure account, and the trial balance. In place of schools assets, only a list of textbooks purchased per year was available. However, these were prepared only for the annual inspection exercise in which a hired person to was brought in 57.6% of the schools. This indicates that the statements did not present the actual picture, as the books were prepared with an aim of satisfying the inspectors.

5.2 CONCLUSION

The findings of this study indicated that to a large extent, the Public Primary Schools in Thika observed basic financial management practices in management of FPE funds. However, professionalism was not upheld in the management of school finances. For instance, cash budgets were mostly used to implement short-term recurrent expenditure not exceeding one year which were strictly financed through the FPE funds. Where long-term expenditure was incurred such as in classroom and latrine construction, the budgets were not available. This was because the funding was controlled from other sources such as the Community Development Fund (CDF) and the Local Authority Transfer Fund (LATF).

It was established that involvement in the preparation of the cash budget was limited to the head teacher and School Management Committee. Other stakeholders' did not participate in the budgetary process in any significant way. The head teacher was still found to have a lot of influence on the SMC where the head teacher had stayed for a long time in the same station hence the SMC was not very independent in their actions. The

budgeting process was fully dependent on the number of pupils in the school as the FPE funds provided a per capita grant of Ksh 1,020 per child. Other funds that the schools received from the parents such as the exam fees charges, Tuition fees and monies for payment of electricity were not budgeted for as soliciting of such funds were against the Ministry of Education policy. A challenge encountered mainly in the budgeting process was that the funds were not per actual pupil enrollment (42.4%) and sometimes not received in good time (12.1%).

According to the Quality Assurance and standards officers, the head teachers were competent in their role as the accounting officers. However, the head teachers indicated they actually experienced major challenges in maintaining the accounting records and usually hired outside help to do it on their behalf (57.58%).

Internal control measures were found to be inadequate as the head teacher was found to perform custodial, records keeping and authorization responsibilities regarding a single transaction. A case in point was in the way the petty cash was managed. This was found to increase the probability of misuse of funds.

Financial reporting was found to be a cosmetic exercise as the statements prepared for presentation were done to reflect the Ministry's policy and not the actual practice in the schools. A lot of manipulation of books was reported as the head teachers openly admitted that in spite of the financial management workshops attended, they still felt inadequate in their role as financial managers. Moreover, they indicated that Ministry's

guidelines on the utilization of FPE funds were unrealistic and they had to sometimes bend the rules in order to suit their specific circumstances.

5.3 Recommendations

- The SMC has been nominated by the government to be the legal custodians in the schools. In 78.8% of the schools, the SMC was found to be responsible for preparing the cash budget. However, in the different schools, the SMC was seen to play different roles. In some areas, particularly the urban schools and in the accessible rural schools, the head teachers admitted that the SMC performed an active role in the schools' financial management, whereas in the remote rural areas, the SMC was passive and was basically used to rubberstamp the head teachers' proposals concerning the budget. There is a need therefore to develop an external evaluation tool on what constitutes good financial management practices that all School Management Committee's nationally can aim to achieve, and provide a meaningful benchmark to encourage self-improvement by the schools.
- 50% of the Quality Assurance and Standards Officers indicated that the head teachers did not consult them on financial management. Considering that these officers are trained educationalists and not Professional accountants and auditors, the schools would benefit from professional help in evaluating the quality of their financial management practices and in training the head teachers and members of the SMC's to become better financial managers. There is a need therefore for the government to provide a guide to schools on all the significant sources of advice. These could be appointed professional financial consultancy firms who would partner with the government so that the school can access professional guidance on financial management when in need.

5.4 Policy Recommendations

The schools with an enrollment of above 600 schools were found to be able to employ At least one support staff, whereas all schools with a low enrollment were not able to. This gave schools with a higher enrollment an added advantage as they benefited from economies of scale based on the “per pupil” funding. In addition, head teachers were found to secretly hire persons with proper accounting training to help them prepare the books for inspection purposes in 57.6% of the schools. The government can remedy this situation by facilitating the employment of an accounts clerk in all schools who would be responsible for performance of all financial assignments. This would give the school head ample time to concentrate on curriculum supervision and other elements of management.

5.5 Suggested areas for future research

The study was confined to the financial management practices in Public Primary schools in Thika District. It would be of interest to future researchers to establish how the FPE funds are managed in other parts of the country. Similar surveys can be replicated a number of years from now to assess if the financial management practices in primary schools will have changed.

The government have availed other public funds such as the Community Development fund, Youth funds, the Women Enterprise Fund among others. It would be of interest to future researchers to establish if sound financial management practices are employed in the utilization of such public funds.

MINISTRY OF SCIENCE & TECHNOLOGY

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MOST 13/001/37C 39/2

30th January 2007

Grace Wachera Kariuki
University of Nairobi
P.O. Box 30197
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on, '*Financial Management Practices in Public Primary Schools: The Case of Free Primary Education Funds*'

I am pleased to inform you that you have been authorized to carry out research in Nairobi and Thika Districts for a period ending 30th July 2007.

You are advised to report to the Provincial Commissioner, the Provincial Director of Education Nairobi and the Director, City Education before commencing on your research study.

On completion of your research, you are expected to submit two copies of your research report to this office.


M. O. ONDIEKI
FOR: PERMANENT SECRETARY

Copy to:
The Provincial Commissioner
Nairobi

The Provincial Director Education
Nairobi

The Director
City Education
Nairobi

The District Commissioner
Thika District

The District Education Officer
Thika District

APPENDIX I -LETTER OF TRANSMITTAL

Grace W. Kariuki

University Of Nairobi, School Of Business

Department of Finance & Accounting,

P.O.Box 30197, Nairobi.

DATE:-----

Dear Respondent,

RE: An evaluation of Financial Management Practices on Free Primary Education (FPE) funds. The case of Thika District

I am - a postgraduate student pursuing a master's degree in Business administration. I am requesting you to respond to the attached questionnaire as honestly as possible and to the best of your knowledge.

The questionnaire is designed for this research purpose only, and you are assured that your response shall be treated with strict confidentiality. Your name and that of your institution shall therefore not be required.

Thank you in advance.

Yours sincerely,

Grace W. Kariuki.

APPENDIX II

FINANCIAL MANAGEMENT PRACTICES BY HEADTEACHERS BACKGROUND OF THE PARTICIPANT

(Please tick as appropriate)

1. Gender M ()
F ()

2. What is your age bracket?
Below 30 years ()
31-40 years ()
41-50 years ()
Above 50 years. ()

3. What is your professional qualification?
Certificate ()
A.T.S ()
Diploma ()
Degree ()
Any other (please specify) _____

4. How long have you been a head teacher?
Below 5 years ()
6-10 years ()
11-20 years ()
Above 20 years. ()

5. How long have you served as a head teacher in this school?
Less than 1 year ()
1-5 years ()
More than 5 years. ()

SCHOOL BACKGROUND.

1. Type of school. Rural ()
Urban ()
2. Number of students _____
3. Number of teaching staff _____
4. Number of non-teaching staff _____

PART TWO: FINANCIAL MANAGEMENT PRACTICES

1. Are the FPE funds always received on the expected Dates (month)?

- Very Often ()
- Sometimes ()
- Rarely ()

2. Are the funds received as per the actual pupil enrollment?

- Yes ()
- No ()

3. Does your school prepare a cash budget i.e. a plan for the expected cash inflows and outflows?

- Yes () Go to question 4
- No () Go to question 7

4. If your answer to question 3 above is YES, who is responsible for preparing the cash budget?

- Head teacher ()
- S.M.C ()
- S.I.M.S.C ()
- Other(Specify) _____

5. What is the time frame for the cash budget?

- Monthly Basis ()
- Quarterly Basis ()
- Annual Basis ()
- Other(specify) _____

6. Is the budget presented to the SMC for approval?

- Yes ()
- No ()

7. If your answer to question 3 above is NO, please describe how expenditure decisions are arrive at.

8. What factors influence the budgetary expenditure?

- | | |
|----------------------------------|-----|
| Past budget amounts (tradition) | [] |
| Expected changes in prices | [] |
| Predicted enrollments | [] |
| Ministry of education guidelines | [] |

9. Who decides from which supplier the requirements are to be procured?

- | | |
|-----------------------|-----|
| Head teacher | () |
| SIMSC | () |
| SMC | () |
| Other (specify) _____ | |

10. Are any of the purchases made on credit from the suppliers?

- | | | | |
|-----|-----|----|-----|
| Yes | () | No | () |
|-----|-----|----|-----|

11. If the answer to question 10 is YES,

- a) What are the average credit period (in days?) _____
- b) What is the average debt/amounts owing to creditors per annum? _____

12. Who is responsible for checking if the planned activities take place as scheduled and within the approved Financial limits?

- | | |
|-----------------------|-----|
| Head teacher | () |
| S.I.M.S.C | () |
| S.M.C | () |
| Other (specify) _____ | |

13. Are any meetings held in your school to review actual expenditure against the budget?

- | | | | |
|-----|-----|----|-----|
| Yes | () | No | () |
|-----|-----|----|-----|

14. If your answer to question 13 is YES, how often are such meetings held?

- | | |
|--------------|-----|
| Once a month | () |
| Once a term | () |
| Once yearly | () |

15. What steps are taken when there are considerable differences between the planned and the actual expenditure?

16. Which of the accounting records listed below does your school maintain?

(tick as appropriate)

- | | | | | | |
|-----------------------------|-----|--------------------|-----|------------------|-----|
| Payroll | [] | Cashbook | [] | Receipt book | [] |
| Stores register | [] | Claims Register | [] | Mileage register | [] |
| Imprest Register | [] | Creditors Register | [] | Payment Voucher | [] |
| Exam fees register | [] | | | | |
| Telephone calls register | [] | | | | |
| Manual work register | [] | | | | |
| Chequebook and Counterfoils | [] | | | | |

17. Below are some of the tasks concerned with management of resources in the school. Please tick in the appropriate boxes the officer responsible for undertaking them.

	Head teacher	SMC member	SIMSC member	Parent
Maintaining accounting records.				
Receiving goods ordered				
Preparation of payment Vouchers				
Disbursement of Cheques.				

18. How does the school arrive at decisions to incur a major expenditure such as the acquisition of furniture, and maintenance of buildings?

19. Have you attended any in-service course/workshop in regard to financial management since the implementation of the FPE program?

- Yes ()
 No ()

20. If you answer to question 19 is YES;

a) What is the total length of time (in days) for all such courses attended? _____

b) Who were the Organizers? _____
 Facilitators? _____

c) How helpful has the knowledge acquired been in managing schools finances?

- Very applicable ()
 Considerably applicable ()
 Not often applicable ()
 Inapplicable ()

21. Who are the signatories into the bank accounts (please give their designations, NOT names)

a) _____ b) _____ c) _____

22. Who is the custodian of the Cheque book?(designation, NOT name) _____
(Chairman SMC, Member of SIMSC, Head-teacher, etc)

23. At what point in the procurement process do the signatories sign the Cheque?

When placing the order ()

When the provisions are received in the school ()

Other (specify) _____

24. How much petty cash does the school hold? _____

Who approves the reimbursement of the petty cash?

S.M.C ()

Head teacher ()

Area Education officer ()

Other (specify) _____

25. Identify some of the payments made from the petty cash.

a) _____ b) _____ c) _____

26. Name ALL the financial/accounting statements that you prepare for presentation to the parents during the Annual General Meeting/Parents Day..

a) _____ b) _____ c) _____ d) _____

27. Have your school been audited in the last one year?

Yes []

No []

If Yes, how many times ? _____

28. In your opinion, what needs to be done in order to enhance your role as a financial manager in the utilization of school finances such as FPE funds?

THANKYOU FOR TAKING YOUR TIME TO RESPOND TO THIS QUESTIONNAIRE

APPENDIX III

QUESTIONNAIRE FOR THE SCHOOLS' QUALITY ASSURANCE OFFICERS

(Please tick as appropriate)

1. What is your Professional Qualification?

- Certificate ()
- Diploma ()
- Degree ()
- Other (please specify) _____

2. How long have you served as a school quality assurance officer?

- Less than 1 Year ()
- 1-5 Years ()
- Above 5 Years. ()

3. Have you attended any in service course with specific regard to the inspection on management of the FPE funds?

- Yes ()
- No ()

4. If your answer to question 3 above is yes, briefly explain the main areas of emphasis.

5. If your answer to question 3 above is NO, briefly describe what guides you in carrying inspection on FPE Funds.

6. How often do you inspect schools on the utilization of FPE funds?

Monthly Basis ()

Quarterly Basis ()

Annual Basis ()

Other (specify) _____

7. In your opinion, are the school heads able to follow the laid down guidelines on FPE funds management?

Yes ()

No ()

Please explain your answer.

8. What measures do you take against the head teachers or SMCs who do not comply with the Ministry's guidelines on use of FPE Funds?

9. How often do the head teachers consult you on financial management issues?

Very Often ()

Often ()

Rarely ()

10. Which documents are supposed to be maintained by the school heads for inspection purposes in regard to the management of FPE funds?

11. How frequently are audits done in schools per annum? _____

12. In your opinion what measures would you propose to be put in place to enhance the management of the FPE Funds in the schools? _____

THANKYOU FOR TAKING YOUR TIME TO RESPOND TO THIS QUESTIONNAIRE

LIST OF PRIMARY SCHOOLS:THIKA DISTRICT.

KAKUZI ZONE

- 1 KITITO
- 2 RUBIRO
- 3 MATUNDA
- 4 KINYANGI
- 5 NGATHO
- 6 MUTI
- 7 MUTITHI
- 8 MAJI KIBOKO
- 9 KINOO
- 10 KAKUZI .
- 11 MITHINI
- 12 IEMBENI
- 13 KIRIMIRI
- 14 MAKUTANO

MITUBIRI ZONE

- 1 KATHAMBARA
- 2 NGATE
- 3 MWITINGIRI
- 4 MUTHURI
- 5 SWANI
- 6 NGINYI
- 7 PETER KARIUKI
- 8 KIHUNGURO
- 9 MWANA WI KIO
- 10 MUTERIA
- 11 KIAMA
- 12 THAMURU
- 13 MAKONGO
- 14 KANGANGU

ITHANGA ZONE

- 1 KANDURI
- 2 KARIARA
- 3 NGELELYA
- 4 MUGUMO
- 5 MWANIAMBOGO
- 6 ITHANGA
- 7 NGURUYA
- 8 MIANYANI
- 9 KYAUME

GATANGA ZONE

- 1 GICHUMBU
- 2 GAKURARI
- 3 GIATUTU
- 4 RWATIRIA
- 5 CHOMO
- 6 GATUNYU
- 7 GATANGA
- 8 MABANDA
- 9 ITHANGARARI
- 10 MABAE
- 11 NGUNGUGU
- 12 RWEGETHA
- 13 PCEA KIGIO
- 14 KIRWARA

KIHUMBUINI ZONE

- 1 GATHANJI
- 2 KIUNYU
- 3 KIHUMBUINI
- 4 ST AUGUSTINE MUTUNDU
- 5 KIBAACA
- 6 GITHAMBIA
- 7 GITUAMBA
- 8 GATIIGURU
- 9 NYAGA
- 10 GATHAINI
- 11 THUITA
- 12 PAUL MBIU
- 13 THARE
- 14 GATHUTHU

KARIARA ZONE

- 1 IGANJO
- 2 KIARUTARA
- 3 NDUNYU CHEGE
- 4 MWAGU
- 5 ELIMAMBO
- 6 GIACHUKI
- 7 NDAKAINI
- 8 GATURA
- 9 KARANGI KIANA

JUJA ZONE

- 1 KIGWE
- 2 NYACABA
- 3 KARAMA-INI
- 4 KIA-ORA
- 5 KALIMONI
- 6 THIRIRIKA
- 7 GACHORORO
- 8 MUTHAARA
- 9 ATHI
- 10 KARAKUTA
- 11 JUJA FARM
- 12 JOMO KENYAT
- 13 KIBII
- 14 KURAIHA
- 15 MIRIMA-INI
- 16 ST.PAUL GACH
- 17 MWIRERI
- 18 KUMURA
- 19 TWIGA
- 20 THOME
- 21 GIKUMARI
- 22 NDURURUMO
- 23 MAGOMANO
- 24 RURII

GATUANYAGA

- 1 KOMO
- 2 MAGOGONI
- 3 KIANJAH
- 4 NDULA
- 5 NGOLIBA
- 6 KILIMAMBOGO
- 7 MUNYU
- 8 GATUANYAGA
- 9 MAGANA
- 10 MBAGATHI
- 11 GITHIMA
- 12 MARIA MAGDA

RUIRU ZONE

- 1 KWIHOTA

10 THUNGURURU
11 ST. TERESA

10 GITIRI
11 WANYAGA
12 KANUNGA
13 KAGARII

2 GITHUNGURI
3 KIMBO GITHUR
4 MWIKI
5 KITAMAIYU
RUIRU

THIKA MUNICIPALITY

1 THIKA PRIMARY
2 THIKA MUSLIM
3 ST. PATRICKS
4 QUEEN OF ROSARY
5 GATUMAINI
6 MUGUMOINI
7 GENERAL KAGO
8 JAMHURI
9 KENYATTA
10 KISIWA
11 SCHOOL FOR BLIND
12 JOYTOWN
13 MADARAKA
14 KIMUCHU
15 KABIRIBIRI
16 MOI ACADEMY
17 THIKA BARRACKS
18 GARISSA ROAD
19 KAMENU
20 KIBOKO
21 ATHENA
22 THIKA REHAB
23 KIANJAU
24 UMOJA

14 KIMANDI
15 GITEME
16 KAMUNYAKA KIUMU
17 MBUGITI
18 GATUNGURU KARIARA
19 GATAKAINI

6 PRIMARY
7 ST. GEORGES
8 NDIINI
9 TATU
10 MATOPENI
11 JACARANDA
12 NGEWE
13 MUKUYU
14 MURERA
15 OAKLANDS
16 MUTUNDU
17 RUERA
18 GATONGORA
19 KWANGETHE
20 GITOTHUA
21 MWIHOKO
22 KIRATINA

SOURCE: THIKA DISTRICT EDUCATION OFFICE

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

Telegrams: "EDUCATION", Nairobi

Telephone: Nairobi 318581

Fax No: 214287

When replying quote:

Jogoo House "B"
Harambee Avenue

P. O. Box 30040
NAIROBI



REPUBLIC OF KENYA

Ref: FPE/CIR./06

2nd October, 2006

ALL PDE'S

RE: DISBURSEMENT OF 1ST TRAUNCHE OF FPE FUNDS INTO ACCOUNT II (G.P.) – 2006/2007 FINANCIAL YEAR

The first instalment for FPE funds for the financial year 2006/07 of Kshs. 185 per child has been released into the respective school accounts. Utilization of the funds will be strictly as follows unless otherwise authorized by the relevant authority.

<u>Votehead</u>	<u>Amount allocated per child</u>
• Support Wages	Kshs. 56.00
• Repairs, Maintenance and Improvement (RMI)	Kshs. 63.00
• Activity	Kshs. 22.00
• Quality Assurance (school based examinations)	Kshs. 14.00
• Local Transport and Travelling	Kshs. 11.00
• Electricity, Water & Conservancy	Kshs. 5.00
• Telephone/Box Rental/Postage	Kshs. 11.00
• Contingency	Kshs. <u>3.00</u>
Total allocation per child	Kshs. <u>185.00</u>

This information should reach all schools in your province immediately to enable schools to utilize the funds as above.

DEOs should monitor utilization of these funds to ensure strict adherence to the guidelines unless otherwise authorized.


S. K. KARABA, DSM
Ag. DIRECTOR BASIC EDUCATION

c.c. All DEO's
All MEO's
DCE

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

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NAIROBI



REPUBLIC OF KENYA

Ref: FPE/CIR./06

2nd October, 2006

ALL: PDE'S
District Education Officer
Municipal Education Officers
Director City Education

RE: RELEASE OF FPE FUNDS 1ST TRAUNCHE 2006/2007 FY ACCOUNT 1 (INSTRUCTIONAL MATERIALS) - KSHS. 350 PER CHILD

The first instalment of Kshs. 350/- per child in all public primary schools has been released as the 1st trauanche for 2006/2007F Year. These funds will be utilized as follows.

<u>Votehead</u>	<u>Amount allocated per child</u>
• Textbooks	Kshs. 200.00
• Exercise Books	Kshs. 100.00
• Supplementary Readers & Reference Materials	Kshs. 32.00
• Pencils	Kshs. 10.00
• Dusters, Chalk, Register	Kshs. 4.00
• Charts and Wallmaps	Kshs. 4.00
Total allocation per child	Kshs. <u>350.00</u>

Please ensure that all schools in your jurisdictions receive this information and to utilize the funds as directed above. All schools must be reminded that there is no virement of funds in Account 1. No cash withdrawal from account 1 and no bank should allow this. All schools should operate SIMBA **Current Account 1** to enable them to pay suppliers by cheque **but not banker's cheque.**


S. K. KARABA, DSM
Ag. DIRECTOR BASIC EDUCATION

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