

**THE IMPACT OF FINANCIAL CONTROLS ON FINANCIAL EFFECIENCY OF
FREE SECONDARY EDUCATION FUNDS AMONG SECONDARY SCHOOLS
IN MURANG'A COUNTY**

BY :

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DECLARATION

I declare that this research project is my original work and it has never been submitted anywhere for any academic award.

Kinuthia Wanjiku Victoria

Signed..... Date.....

This research project has been submitted for examination with my approval as the university supervisor

Mirie Mwangi

Signed Date.....

DEDICATION

I dedicate this to all people who know the pain of losing a beloved one through killing.

In memory of Ronald Gathe Ngugi & Stephen Kariuki Kinyanjui

ACKNOWLEDGEMENT

I thank God for the gift of good health and provision.

My supervisor Mr Mirie Mwangi, for his valuable and constructive comments, suggestions and overall assistance from the early stages to the completion of the study.

To my family, for all the support provided during the learning period. To my husband, Joseph Kamau for the many questions you provided answers to, Bill and Warren for giving a purpose in my life.

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ABSTRACT

Education plays an important role in human empowerment; towards achieving this Government of Kenya introduced the FPE in 2003 and five years later the FSE. This study was conducted with the objective of establishing the impact of financial controls on the financial efficiency of FSE funds in Murang'a County. In order to achieve this objective, primary data was collected from 32 random stratified selected respondents using questionnaires. For the data analysis, descriptive statistics including mean, frequency and percentages were used to describe the socio-economic characteristics of the borrowers. A regression model was used to analyze the determinants of loan repayment.

From the research findings, it was established that 40.0 percent of the schools had below 500 students, 32.0 percent of them had 509 to 999 students and 28.0 percent of them had 1000 to 1499 students. This suggests that most schools in Murang'a country have a small number of students.

Murang'a County secondary schools should also remove the loopholes under purchasing since these controls were found to have a negative impact on financial efficiency. The study also recommends training for school heads together with their deputies on financial management. The study concluded that, even though all financial controls are perceived as critical, there were some controls that had a positive impact while others had a negative impact on financial efficiency. Financial efficiency goes hand in hand with the performance of schools.

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ABBREVIATIONS

ABB	-	Activity Based Budgeting
BOG	-	Board of Governors
FSE	-	Free Secondary Education
FPE	-	Free Primary Education
GAAP	-	Generally Accepted Accounting Procedures
IPF	-	International Public Finance
KESI	-	Kenya Education Staff Institute
KNEC	-	Kenya National Examination council
MOE	-	Ministry of Education
MOEST	-	Ministry of Education, Science and Technology
NARC	-	National Alliance Rainbow Coalition
PPBS	-	Planning, Programming and Budget Systems
PS	-	Permanent Secretary
PTA	-	Parents Teacher's Association
ROA	-	Return on Assets
ROE	-	Return on Equity
TQM	-	Total Quality Management
TSC	-	Teacher's Service Commission
ZBB	-	Zero Based Budgeting

CHAPTER ONE

INTRODUCTION OF THE STUDY

1.1 Background

The right to education is a basic human right stipulated in the Universal Declaration of human rights article 26, 1948. In 2003 this right was livened through the launch of Free Primary Education Programme (FPE) by the newly elected National Alliance Rainbow Coalition (NARC) government. Five years later the President launched the Free Secondary Education (FSE). Education is a powerful tool for self realisation, social advancement and economic development. Education is necessary for the development and protection of democratic institutions and human rights. Education in Kenya is governed by the Education Act (1968) and other related Acts of Parliament, including the TSC Act, KNEC Act, Adult Education Act, and various Acts and Charters for Universities (Ngigi and Macharia, 2006)

The long term plan for secondary school subsector is to include the sector under basic education. The introduction of FPE in 2003 targeted 70% transition rate that would see many students proceed with education instead of dropping out in standard eight. Through FSE each student in secondary school receives kshs 10,265 for tuition per year (Kituo cha Sheria, 2008). The fund has been in operation and receives funding from the exchequer. The fund is channelled through the Ministry of Education (MOE) which in turn distributes the money to various public schools in the republic.

Secondary school enrolment is expected to grow to 2.7 million by 2015. This requires increased resource mobilisation towards secondary education sub-sector in recurrent and physical infrastructure expansion. Financing of the expansion of secondary education calls for identification of sustainable financing options that maximize on cost effectiveness in resource utilization (Ministry of Education, 2004).

Government of Kenya (2005), in its report emphasised that the Ministry of Education should handle issues relating to policy development, curriculum design, monitoring and evaluation, and quality assurance. Issues relating to-day operations, local supervision and resource mobilization as well as counselling of students should be left to local stakeholders with the back stopping at services from the Ministry and other national level actors. In the same report the Government admits that, while Kenya Education Staff Institute (KESI) is charged with the responsibility of training and in service in education of managers, it has insufficient human and financial resources to undertake the task effectively. As managers, head teachers ensure efficiency in performance and proper utilization of teachers under them, effective management and implementation of curriculum and prudent use of resources (MOE, 2004)

By setting KESI, in 1988 the MOE hoped that KESI would from time to time come up with areas in which school managers will need training. According to Education Act Cap 211, functions of KESI include among others providing management training research and consultancy services in education. Head teachers are therefore trained on how to efficiently manage their schools. An educational management exists within an

environment divided into internal and external environment. Due to the complexity and instability of the external environment the survival efficiency and effectiveness of an educational organization will depend on how well it scans and adapt to its external environment. What makes an educational organization effective is its ability to utilize its resources even if scanty in the most efficient manner.

Budgetary implementation and control, internal control and external auditing are all financial management practices that can be adopted by an organisation to achieve financial efficiency and secondary schools are no exception. This study seeks to find the extent to which budgets are used by school managers to implement operational plans as stipulated by the MOE

1.1.1 Financial Controls

Financial controls are the process in which managers assume that resources are obtained and used effectively and efficiently, in the accomplishment of the organisation's objectives Webster (2000). Webster also suggest that financial controls is a system of related variables and clearly a symbolic model of the firm; since it is a representation of the organisation that enables it to predict, explain and interpret the behaviour of the organisation. Financial control systems include variables that are under the control of management.

Financial management deals with efficient allocation of financial resources in an organisation. It involves three functions, mobilization of funds, channelling of mobilized

funds into areas where returns are maximised while risks minimised and distribution of the resultant earnings to shareholders. In a typical business firm the objective is to manage the finances so as to maximize shareholders wealth .Schools are not-for-profit organisations and as such there, goal is to provide education to the citizens on an ongoing basis. Budgeting and cash management are extremely important in not-for-profit organizations. The schools should ensure they have sufficient cash reserves to continue to provide the learning to the students. The Government provides the funds and it is the responsibility of the school heads to ensure these funds are utilised efficiently. The school managers should provide stewardship of the funds allocated, they should demonstrate that the money is used as directed by the government (Brigham & Houston, 2007).

Cash is part of the working capital, and also includes accounts receivable and payable, inventories and short-term investments .Cash assumes greater importance than any other asset because it's the most significant and least productive asset a firm holds The basic objective of working capital is to provide adequate support for the smooth functioning of the normal business operations of the company. In secondary schools which are government maintained the goal of cash management is to avoid premature closure during term periods which disrupt academic programs (Hubert, 1998).

1.1.2 Financial Efficiency

Financial efficiency is a measure of how well an organisation has managed certain trade offs (risks and return, liquidity and profitability) in the use of its financial resources. It measures the intensity with which a business uses its assets to generate gross revenue and

the effectiveness of producing, purchasing, pricing, financing and marketing decisions. Financial efficiency is desirable in all organisations regardless of individual mission or structure (Peter, 1973).

Profitability ratios are calculated to measure the operating efficiency of the firm, the most important is the profitability of assets, return on total investment. The income statement is the major device for measuring the profitability of a firm over a period of time. However, it is important to note that even sufficient profits can mask inefficiency and conversely, a good degree financial efficiency could be dressed with the absence of profit (Murthy, 1978).

Schools are not-for profit organisations but all organisations strive for financial efficiency, this call for proper utilisation of the funds provided by the government. Proper financial management practices should be adopted which involves budgeting and cash management. They should manage their working capital well to avoid premature closure during the school term periods which may cause irreparable loss to the concerned student in addition to paying staff for work they have not done (Ngaba, 1990).

The head teachers have the responsibility of maintaining all the school records. This is because the secondary school administrative set up in Kenya does not provide for government employed accounts clerks or school bursar. The District education office is charged with the implementation role Sessional paper, (2004). The district education office also conducts annual audits in all 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).

1.1.3 Determinants of Financial Efficiency

Financial efficiency is a measure of how well an organisation has managed its resources and its determinants include proper planning to ensure efficient utilisation of the resources. Planning involves ensuring that budgets are drafted to minimise misuse of funds and encourage utilisation of the funds for the needs allocated.

Total Quality Management (TQM) in Kenyan secondary schools has been conceptualized by the Education Master Plan 1997-2010 in terms of human resources, curriculum and financial resources Government of Kenya (1998). On human resources, first the plan argues that in order to enhance TQM in schools it is important to have a well qualified staff. Secondly, the school managers who are well versed in management are also essential for successful curriculum implementation, effective and efficient management and administration of schools. However the plan observed that many secondary school head teachers had not been adequately trained in management and were ineffective and lacking in accountability.

Financial reporting in the public sector is a key element in the accountability of public sector bodies. It refers to the communication of financial information by an 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 budgets, fiscal plans, estimates of expenditure, and reports on the performance of individual programs or activities. These must be made available to all stakeholders on a timely basis and in addition, they should be understandable, relevant, reliable and comparable (Nicholas, 2007).

Financial management practices are crucial, for they deal with efficient allocation of financial resources in an organisation. This involves drawing budgets, which indicates a specific policy direction and contains coordinated choices aimed at achieving articulated goals and objectives. Working capital management focuses on the optimal ways of managing working capital components efficiently so as to contribute effectively to the shareholders wealth and in case of schools uninterrupted operations (Brigham & Houston, 2007).

1.1.4 Financial Control and Efficiency

All organisations strive for financial efficiency since, it is it is a measure of how well an organisation utilises its resources. One way of achieving efficiency is adopting proper management practices. This requires budgets to be drawn and proper cash management especially of the funds disbursed to schools by the Government.

A budget provides a focus for an organisation, aids in coordinating the activities, and facilitates control. It also involves the continuous recording, and summarisation 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 (Sagimo, 2002)

The perceived important role of cash management is due to the fact that all transactions revolve around cash. Another observation is that unlike other resources, cash could easily be lost if not well managed. The funds disbursed to schools are strictly meant for tuition and operational expenses such as support staff, activity, repair and maintenance thus high levels of accountability are required. Reporting procedures should show the extent to which the assigned responsibilities have been achieved (Thomas & Hence, 1986).

Budgetary implementation and control, internal control and external auditing are all financial management practices that can be adopted by an organisation to achieve financial efficiency and secondary schools are no exception. This study seeks to find the extent to which budgets are used by school managers to implement operational plans as stipulated by the MoE. The funds are released three times in a year and on many occasions delays are cited, but the school managers have to keep them running. Obulemire (2006) found out that, public schools in Nairobi use budgets mostly to implement short-term operational plans with long-term plans being implemented without budgets.

1.1.5 Murang'a County Schools

Murang'a county is one of the 47 counties as per the Kenyan constitution. It is made up of eight constituencies; Gatanga, Kangema, Kandara, Kiharu, Kigumo,, Mathioya,

Murang'a South and Murang'a East. It has a total of 255 schools which were the subject of this study.

Since the inception of FSE in 2007, every student receives shillings 10,265 for tuition which is channelled through the MOE. Every school receives a definite amount depending on the number of pupils enrolled in the school.

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. 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 the year 2007, the Kenya government has invested heavily on FSE under an overstretched budget and with obvious scarcity of financial resources. The government's efforts are noble, but concerns arise on the adequacy of the measures in place towards the optimal utilization of the financial resources invested towards the realisation of the government's vision. Basic financial management practices such as the use of cash plans and cash flow forecasts are necessary in the management of any funds.

The school head teachers are left with the responsibility of all the school records and together with the school bursars they manage the financial records. Head teachers are educators and not financial managers and this raises the question of their competence in financial management and procurement. School requirements are diverse in terms of

urgency and this raises the question on how much leeway the school management committees have in deciding on how to utilise the funds. Yator (2010) in his study of working capital management practices by secondary schools (Elkeiyo-Marakwet) found out that head teachers and the board in conjunction with the bursar manage finances in schools. He suggested further studies need to be undertaken to establish whether any background training in financial management among this group have any effect on the working capital management practices employed by schools.

In Kenya few studies have been done on budget implementation procedures especially in schools. Abdullah (2009) did a survey of financial controls in public secondary schools in Mombasa district and recommends future research to assist schools in applying financial control tools. This study sought to find the extent to which budgets are used by school managers to implement operational plans as stipulated by the MOE.

Gachithi (2010) studied the challenges of budget implementation in public institutions, and recommended similar studies be undertaken and especially focus on the top level managers of institutions to establish whether they implement the institutional budgets. Further research needs to be undertaken to establish the influence budgets have on the performance of the institution.

This study evaluated the financial control measures adopted by Kenya secondary schools as compared to the established profit making businesses. It sought to establish the challenges faced by these schools in the process of policy implementation. The purpose

was to come up with possible ways of dealing with the challenges so as to improve financial efficiency.

The MOE plays supervisory role and the study sought to establish whether the school managers utilise the funds as required by the ministry. Ngaba (1990) who studied working capital management in secondary schools in Kiambu found out that there was still lack of professionalism in some areas in management of school funds. One of the unresolved issues in his studies is to undertake similar studies in other parts of the country and compare the results.

1.3 Objective of the Study

The objective of the study was to establish the impact of financial controls on financial efficiency of FSE funds in Murang'a County.

1.4 Significance of the Study

The study will give school management committees insights on how better to put in place financial controls in the management of school funds. Improvement in financial controls in schools will contribute to national development through production of appropriate human resources. This study will help fill the gap between theory and practice in the management of public secondary school resources. The study will form a basis for academicians and researchers for further research and knowledge on the subject of financial controls in public secondary schools in Kenya.

KESI can use the study to conduct courses in financial management to the current and would be secondary school managers. The study will also be of use to any other institutions offering courses in school administration.

It will be of use to education planners and policy makers since it seeks to evaluate the extent to which financial management practices are adopted in the utilisation of FSE funds. This can be a potential guide on future policies in training, control and evaluation of the actual performance by school committees. The survey is expected to stimulate more research on the application of sound financial management practices in the utilization of other public funds.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews previous work in regard to financial management practices with emphasis on budgets and especially in the education sector. Financial management practices are important in achieving financial efficiency in an organisation.

2.1 Theories of Budgeting

2.1.1 Garbage Can Budgeting Theory

According to Reddick (2003) the garbage can theory was first developed by Cohen et al. (1972) to describe decision making in colleges. It articulates that these educational institutions face decision situations involving unclear goals, unclear technology, and fluid participants. In this model active decision makers and problems track one another through a series of choices without great progress in solving problems. The most important feature of the garbage can theory entails four independent streams of decision-making: problems, solutions, participants, and choice opportunities.

2.1.2 Budgetary Incrementalism Theory

Reddick (2003) argues that the literature on budgetary decisions in the public sector is dominated by the theory of incrementalism and its various meanings. The theory suggests that policy makers use 'rules of the thumb' in order to deal with the technical complexity of expenditure decisions. The nature of these simple decision rules has been investigated

by studies of budgeting in international organisations, national governments, state and local governments. A recent application of incrementalism at the sub national level was an examination of local government expenditures in the UK. This approach prepares the next annual budget by taking the existing operations and the current budgeted allowance for existing activities as the starting point. The base is then adjusted for changes which are expected to occur during the new budget period. In this approach past inefficiencies and waste inherent in the current way of doing things are perpetuated, Drury (2002). The advantage of this method is that it is less time consuming however, there is a danger of having creeping costs.

2.1.3 Short-Run Incremental Theory of Budgeting

Reddick (2003) defines short-run incrementalism as a process in which the relationship between the actors are regular over a period of years, and a non incremental process as one in which this relationship is irregular. The size (or lack thereof) of the increment or the method of calculation used does not matter, so long as the relationship between bureaux and congress remain regular. Incrementalism suggests that policy makers use ‘rule of thumb’ in order to deal with the technical and political complexity of expenditure decisions. Incremental budgeting occurs when actors in the process have many interests to fulfil and roles to play.

2.1.4 Long-Run Equilibrium Theory of Budgeting

According to Reddick (2003) the second view of budgetary decision making examines it as a long run event. In this view the budget is in deficit (or surplus), there is a correction on either the revenue and or expenditure side to restore balance. This type of ‘force’ pushes a budget in deficit towards balance over the long run. In schools deficits occur as a result of failure to pay school fees and this has to be corrected

2.2 Financial Management Practices

There has been growing usage of business concepts, such as accountability and product quality, applied to the education context (Huitt, 2004; Watkins, Watt and Butson, 2001). However basic financial controls used to measure financial health of business entities have not been often use in education. The controls, most commonly used measure efficiency and long-term viability Ketz, Doogar, and Jensen, (1990). This lack of application to the education concept is understandable. Schools are generally viewed not as business but as extensions of governmental entities, or well-heeled religious or charitable organisations with relatively unlimited streams of resources flowing to them, lack of demand –driven repeat market, and non-differentiation of “product” Hartzell (2003). However as enrolment of students continues, the need increases for appropriate tools to be identified which can assist in establishing and maintaining financial efficiency of schools.

In an environment of rapidly expanding post-primary education, financial stability must be addressed, as emphasized by Aoki, et al. (2003). Progress in expanding enrolment in primary education quickly creates pressure for the expansion of secondary school and tertiary education. It is important to put in place a policy framework for expanding these levels that ensures quality, relevance, equity, and financial sustainability.

Financial stability, a concept inherent in successful business, is viewed somewhat differently in most education circles. There has been a long standing, worldwide debate

about the intersection of schools and businesses. The business world has strongly advocated that its practices be adopted by schools. Schools have resisted any comparison Hartzell(2003). Business seeks to maximise outputs in comparison to inputs. Educators contend that output is difficult to measure and often cannot be quantified Darling (2004). Educators further argue that the focus of business is profit whereas that of education is to serve the public good.

In the early part of the century, employers demanded that schools provide them with workers better equipped to work in factory setting. The industrialization of schools Cuban (2004), in much of the world the factory model grew as society demanded public-funded mass education. In the later part of the 20th century, the business concept of efficiency and accountability were promoted for schools, the public demanded that their tax dollars be better utilised (Barkley ,1991)

Since that time, there has been a gradual acceptance of some business management concepts being applied to educational settings Huitt (2004). However it is rare that schools are viewed as businesses Shipp (2000). Little has been written on financial controls and what has been written generally addresses it only in piecemeal fashion, one subtopic or issue at a time. In deed mass public education systems and practices may bear little resemblance to those common in business sector Cuban (2004). The purpose of this study will be to determine the impact of financial management practices on free secondary education funds in Murang,a county.

Public secondary schools in developing countries meet a demand for continued education and serve important societal needs Lewin and Caillods (2001). It is in the best interest of all stakeholders and especially the government that all schools run efficiently. School failure affects the many stakeholders, investments are lost, expectations go unmet, jobs vanish, learning is lessened and a ripple effect is felt throughout the community. Where there is no known industry standards for comparative purposes, models of financial stability can be built. To do so entails careful analysis of available data utilizing widely accepted financial control methods and tools (Chabotar, 1986).

In theory and in practice, these financial controls are prepared according to generally accepted accounting principles (GAAP). There is a wide spread use of financial assessment tools within the business community at large. Financial guidelines, industry averages, and benchmarks exist for most industries however; education is a notable exception Ketz et al (1990). No known study addresses the financial management practices in Murang'a County. It appears there is no trade association for the public schools, no source to which these schools may run for guidance on what constitutes financial management practices. There is no standard for comparison.

Management of resources of a public secondary according to the MOEST (2002) shall be the responsibility of the head of that institution, they may also delegate to teaching or non teaching staff as they deem fit. The Board of Governors (BOG), School Management Committee (SMC), Parents, Teachers Association (PTA) or other stakeholders may lend their support to the head in respect to resource management but, this does not constitute a

change to the primary responsibility. It is important that financial responsibilities for all staff involved in administering and managing the school budget are defined clearly so that, essential duties are performed and financial controls are exercised without unnecessary duplication of effort. Also providing record of statutory responsibilities reflected in job description for which past holders can be held accountable.

2.3 Financial Controls

2.3.1 Governance

International Public Finance (2007) present that in the context of financial management, good leadership is about ensuring and demonstrating that resources are used efficiently and effectively. A school that is well managed financially will not only use its resources properly but will also be seen by others to do so. The school should be willing and able to show how it has used its resources and be able to respond to questions about its financial efficiency. The school management should be open, transparent and have integrity. In the National Conference on Education and Training, MOE came up with recommendations to the secondary education sub-sector. The policies are that, all school managers are trained in the application of management, school heads who misappropriate funds should not be transferred to other schools, but instead be surcharged and disciplined. Head teachers should not serve one station for more than 5yrs (MOE, National Conference on Education and Training, 2003).

Munyiri (2008) recommended that there is a dire need to change the training curriculum for the teachers to include new subjects which will equip teachers with elementary

working knowledge of accounting planning, financial management and project management. The MOE should also develop criteria for the appointment of members of board of governors and create standard project monitoring and evaluation tools for managers of public schools. It is important for the government, parents, school managers and educationist to review the current system so as to attract professionals.

2.3.2 Income

In accordance with the International Public Finance (2007) it shows that appropriate income controls are in place to ensure that it is not used fraudulently. Income can come from a variety of sources including grant funding, sale of materials, fund raising etc. The head teacher is responsible to the governing body, for accounting for and keeping accurate records on income due and cash collected. The income controls include establishing procedures that ensure cash is banked, and the amount banked is reconciled with the amount recorded in the cash book and supported by receipts, regular checking against bank records to ensure income is secure

2.2.4 Expenditure

Each secondary school should determine its expenditure priorities through established procedures and expenditure priorities must be approved by the institution's management, the approval should be evident in writing. A budget should be prepared reflecting recurrent and development expenditure. Analysis of expenditure items shall be in the format of standard account names, vote heads and sub items. The secondary school is expected to raise money in accordance with approved budget which may include user

charges on parents, grants from the government and donors and income generating activities (MOEST, Financial Management of Instructions for Education Institutions, 2002).

2.3.4 Procurement

Purchases account between 10 percent and 20 percent of a school's budget and it is imperative that they are subject to rigorous controls in order to protect individuals from wasteful practices. The governing body needs to ensure that there are proper systems for authorizing the purchase of supplies and services, checking goods received and triggering payments to legitimate suppliers (IFP, 2007).

The Permanent Secretary (PS) Ministry of Education Indicated that the MOE required prudent financial management in secondary schools and called upon the heads to comply with the rules of accountability and transparency. He stressed that one of the areas of financial management where accountability and transparency has been wanting was in the procurement of goods and services. He urged them to procure goods and services as per the "Exchequer and audit (public procurement) regulations 2001" as expected by the MOE, B.O.G and PTA. The PS also noted that a number of secondary school heads never submitted books of accounts in time to the district school auditors for audit. This eventually leads matters being overtaken by events such as deaths, retirements and transfers.

2.3.5 Assets

Schools have a range of assets IPF (2007), with some of them being more attractive such as computers. All school assets, above an agreed threshold value need to be recorded in an asset register and kept securely. Head teachers should ensure that there are regular checks of all items of school property, and that their location is recorded. It is important that as the school acquires more assets they are promptly added to the school inventory to ensure that it is up to date.

Education department of Western Australia EDWA (1996) in its reports to parliament recommended that EDWA should act to ensure sound financial management practices in schools, particularly in the areas of purchasing assets. Also improving school audit practices and making greater use of systematic analysis.

2.5 Empirical Studies

Niven (2003), an effective financial management will lead to the planning of effective developmental programs which will in turn lead to effective execution of the planned activities. Niven further states that organisations will not be able to achieve the desired performance if they fail to manage their financial resources. For service related organisations, the focus of the financial perspective is on how the organisations achieve the desired results in an efficient manner that minimizes costs.

According to Potter and Powell (1992), the vital question that needs to be addressed under the financial perspective is how the organisations can achieve more with the

available resources. Among the important aspects in improving financial management of public sector organisations like schools are activities such as annual budget planning, delineating the roles of various committee with budget responsibilities, setting criteria for budget allocation, and regular monitoring of the budget.

In a study on financial management practices on free primary education funds Kariuki (2007), indicated public primary schools in Thika observed basic management practices in management of FPE funds. However, professionalism was not upheld in the management of school finances. For instance where long-term expenditure was incurred such as classroom construction, the budgets were unavailable. This was because the funding was controlled from other sources such as Community Development Fund (CDF). It also established that involvement in preparation of the cash budget was limited to the head teacher and school management committee

Obulemire (2006) did a survey of budget practices in secondary schools. The study revealed that most secondary schools do not have a strategic plan to guide them towards achievement of both long term and short term goals. He noted that, there is lack of solid base to enforce the budgetary approach. His study revealed that a majority of schools did not educate their staff about budgeting process and that budget targets were initiated by the principal, the bursar and the head of departments.

Existence of many pitfalls with loose controls which ensure that the cash budgets do not capture the total cash movement in Telkom (K) limited posed a serious budgeting

challenge to the use of cash budget as a management tool for improving the management of cash. Poor coordination between the various operational related departments vested with management of cash is another challenge. This caused a cash mismatch in Telkom (K) Limited (Ndiritu, 2007)

Ngaba (1990) did a study on working capital management practices in secondary schools in Kiambu District, documents that school heads bear most of the responsibilities in preparing the cash budget, and only in few instances are the responsibilities shared among the 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 fraud between the acquiring and selling parties through for instance, inflating prices, or over supplying to cash in on the kick backs. He did recommend that qualified staff should be employed to manage school finances. He also recommends that KESI should continually train head teachers on financial management and not merely on accounting procedures 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.

Yator (2010) did a study on working capital management practices by secondary schools in Elkeiyo- Marakwet County and noted that non finance persons are in charge of managing the school funds and in some cases no separation of duties. Head teachers should be left to concentrate on school administration while the bursar handles the finances. It was noted that the head teacher is the main decision maker as regards

working capital management and thus determines the practices to be adopted by the institution on working capital management. He recommends that head teachers should be trained on the management of idle cash. The idle cash can be invested in the most attractive instruments such as treasury bills, stocks and call deposit accounts. The schools should be in a position to negotiate for the most competitive interest rates available in the market. This is only possible if persons with financial background are employed in the schools to give financial advice to the board.

Mutira (2004) in a study on the factors hindering effective implementation of FPE in Meru District notes that the audit section is manned by education officers and not professionals and thus the audit lacks professionalism. He also notes that the linkage between the field audits and the ministry headquarters 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 reports.

Ndung'u (2009) did a study on budgeting practices and challenges in dairy cooperative societies and documented that escalation of costs beyond anticipation was the greatest challenge faced by dairy cooperative societies. The other challenge which was faced by dairy co-operative societies was lack of education for all involved coupled with budget complexity. The study recommends the budget makers in dairy co-operative societies be trained in budgetary process and particularly on how to use price level indices to accurately predict the future prices of goods and services. Schools are also faced with the challenge of escalating prices whereas the amount disbursed to students remains rigid.

2.6 Summary of Literature Review

Throughout the world, businesses utilize financial controls and comparisons with industry benchmarks as a means of analyzing and attaining financial efficiency which may, in turn, contribute to the long term viability and success of the business. There is a lack of application of business assessment tools to education in general and specifically to the public secondary schools in Kenya.

The intent of this study will be to evaluate the financial control measures in place in public secondary schools, considering that the funds are managed by the individual schools. It also aims to assess if there are clear and consistent standards that all the schools aim to achieve as a benchmark for professionalism both at the school level and at the supervisory level.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the study's research design, target population, sample size and sampling procedure, the research instruments, instrument validity, instrument reliability, instrument administration, data collection and data analysis techniques.

3.2 Research Design

Research design can be classified by the approach used to gather data. This study will be a survey that seeks to determine the use of financial control measures in secondary schools. The great strength of a survey as primary data collecting approach is versatility. A survey is usually conducted with an aim obtaining information that is more detailed. It does not require that there be a visual or other objectives perception of the information sought by the researcher Punch (2003). Information about past events is often available only through a survey. The most appropriate applications for surveying are those where participants are uniquely qualified to provide the desired information, and the head teachers are the target.

Gudjera (1981) asserts that since description involves elements of comparison and of relationship of one kind or the other, it is ideal in making interpretations of meaning or significance of what is being described. Kane (1995), description uses all the research techniques in the social sciences kit while examining attitude and behaviour in natural

setting. Robson (1993) indicates that the descriptive studies are advantageous in that they may be adopted to collect generalisable information from almost the whole population.

3.3 Target Population

The target population of the study was the 255 schools in Murang'a County (MOE, Record of Secondary schools, 2011). The study was limited to public schools in Murang'a county. The study involved the public secondary schools only and not other learning institutions. Private schools were not included because they do not get government funding and their financial management practices are not controlled by the government.

3.4 Sampling

Murang'a County was stratified into eight education zones. The sample was picked from each zone from which a sample of four schools was randomly selected. A total of 32 schools were sampled, this comprises of 13% of the population.

3.5 Data Collection

Primary data was obtained from head teachers with the aid of questionnaires. This was used to gather information on the background of the head teacher, and the various aspects of financial management as practised on a daily basis in the schools. The introductory letter of authority to carry out research and questionnaires was dropped in schools.

Follow up was done through the telephone and personal visits to secure appointments with the head teachers so as to facilitate filling of the questionnaires.

The questionnaire was divided into two, section one is to collect general information about the school whereas section two is aimed at establishing the extent to which budgets are used and the impact they have in the management of FSE funds.

3.6 Data Analysis

Data analysis will be centered on descriptive statistics, this involved the use of frequencies and percentages to answer the research questions and objectives in relation to the research topic in a simplified way. According to Cooper and Emory (1995) descriptive statistics describe the parameters of the population better because they express the views and feelings of the respondents in greater details and hence give greater effect on Likert scale elements.

The data was first cleaned, sorted and collated before it was entered into the computer after which analysis will be done with the help of Statistical Package for Social Sciences (SPSS). The mean score, frequencies and percentages of each variable were calculated and tabulated using frequency distribution tables or pie charts and bar charts.

Regression analysis was conducted to determine the relationship between financial practices and financial efficiency. The regression equation took the form

$$E=k+a_1t_1+a_2t_2+a_3t_3+a_4t_4+e$$

Where

E= Financial Efficiency (Cost per student)

t₁ = School's governance controls

t₂ = School's income controls

t₃ = Purchasing controls

t₄ = Asset controls

e = Error term

3.7 Data Validity and Reliability

To ensure that the data collected is reliable and valid, the questionnaires were pilot tested on 5 random respondents to check for reliability. It was subsequently amended after which it was served on the respondents physically. It was administered to the school managers of the 32 schools.

CHAPTER FOUR:

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter covered data analysis and findings of the research. The data was summarized and presented in the form of proportions, means, and tables. Data was collected from secondary schools in Murang'a County. Consequently, the collected data was analyzed and interpreted in line with the aim of the study to establish the impact of financial controls on management of FSE funds.

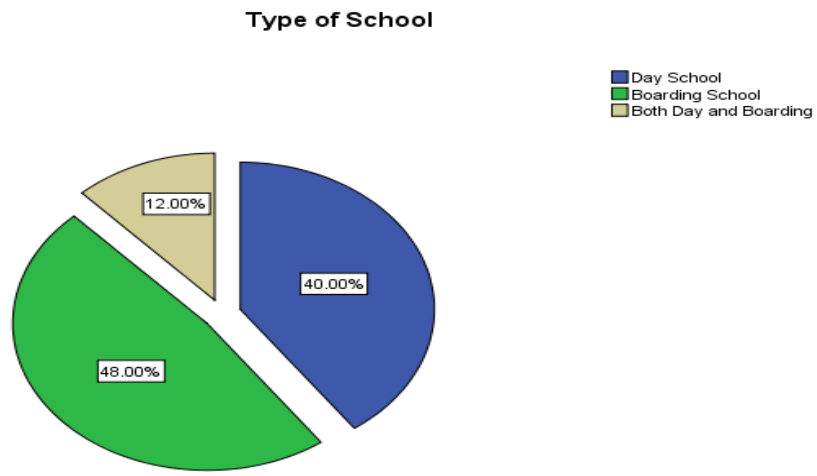
4.1 Data Analysis

Of the 32 questionnaires distributed for this research, 25 useable questionnaires were returned giving a response rate of 78.125 per cent, which was considered satisfactory for subsequent analysis.

4.1.1 Type of School

The respondents were asked to indicate their type of school. From the study, it was established that 48.0 percent of schools were boarding schools, 40.0 percent of them were day schools and 12.0 percent of the schools were both boarding and day as shown in chart 4.1.1 below. This suggested that most schools in Murang'a County were boarding schools.

Figure 4.1.1: Type of School

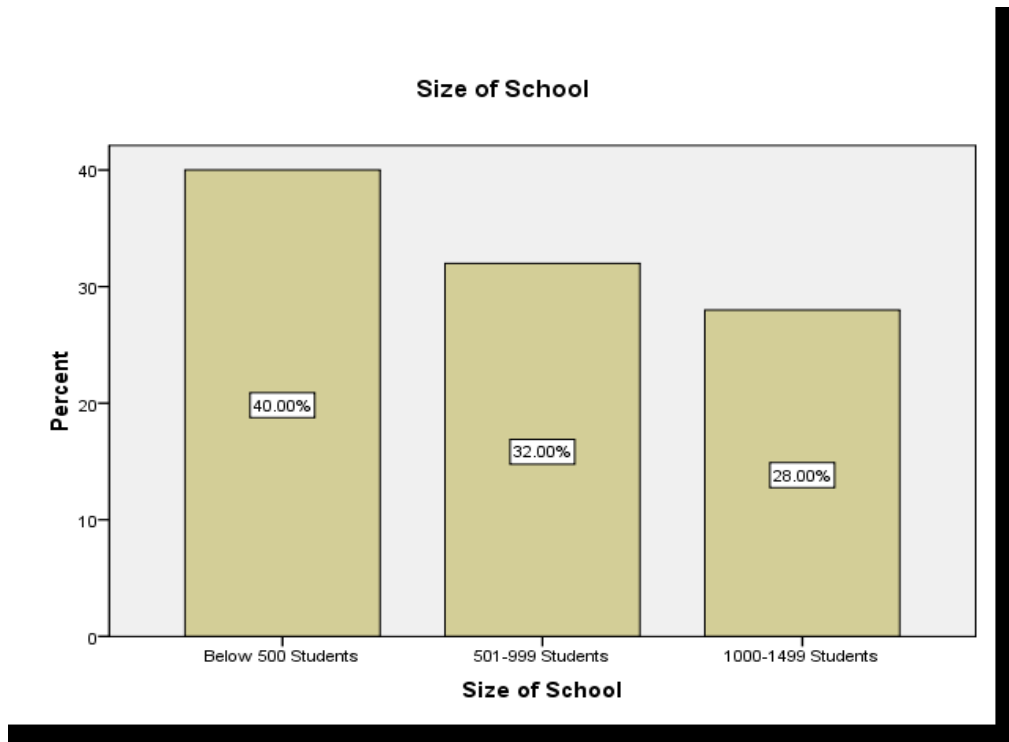


Source: Research data 2012

4.1.2 Size of School

The respondents were asked to indicate the size of their schools. From the research findings, it was established that 40.0 percent of the schools had below 500 students, 32.0 percent of them had 509 to 999 students and 28.0 percent of them had 1000 to 1499 students. However, it was noted that no school had over 1500 students as shown in chart 4.1.2 below. This suggested that most schools in Murang'a country had a small number of students.

Chart 4.1.2: Size of School

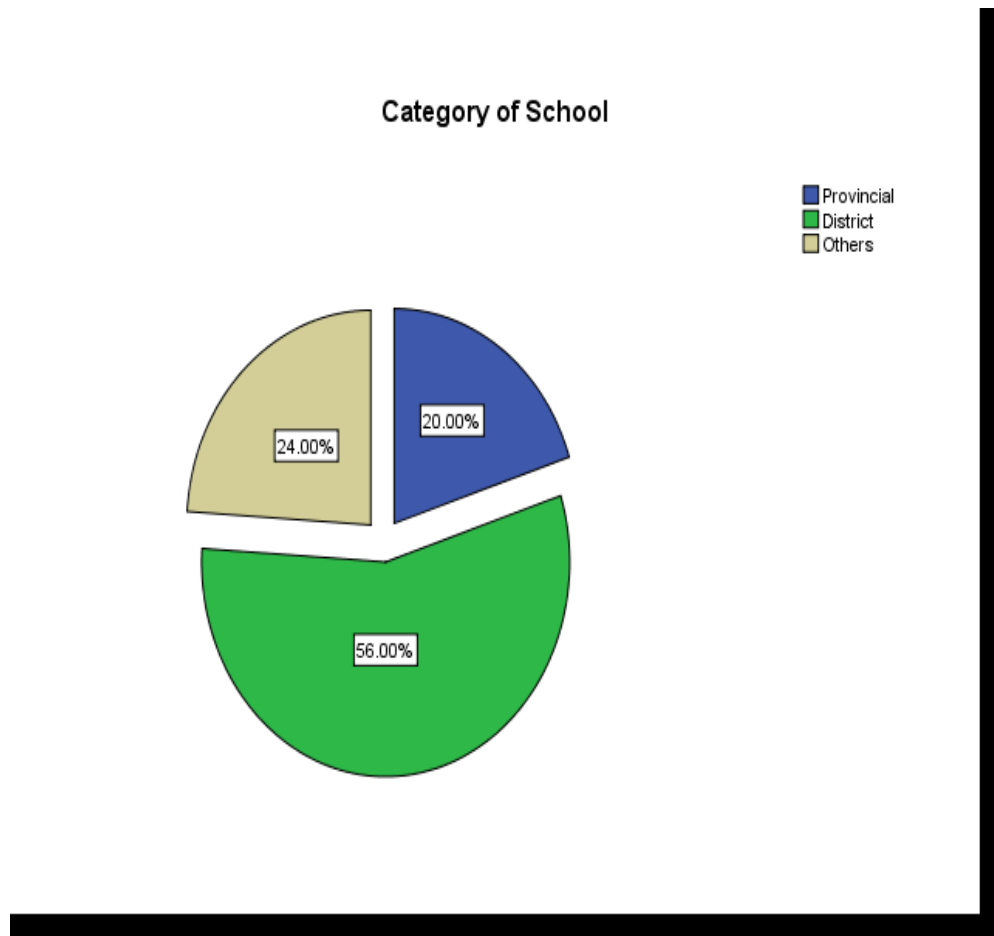


Source: Research Data

4.1.3 Category of School

The respondents were asked to indicate their school’s category. From the study, it was established that 56.0 percent of schools were district schools, 20.0 percent of them were provincial schools and 24.0 percent did not fall within the given categories. This excluded private schools and church affiliated schools. This suggested that most schools in Murang’a County were district schools and there wasn’t any national school in the county.

Figure 4.1.3: Category of School



Source: Research data 2012

4.1.4 Sources of Income

The respondents were asked to indicate the sources of income for their schools. From the study, it was established that 100 percent school received their incomes from both school fees and government grants.76.0 percent of the schools received their income from FSE while 68.0 percent of them received donations. However, it was established that only 64.0 percent were supported by CDF as shown in table 4.1.4 below. This suggested that

the government was not funding all schools in Murang’a County through FSE funds. Therefore all schools hugely relied on incomes from school fees and government grants.

Table 4.1.4: Sources of Income

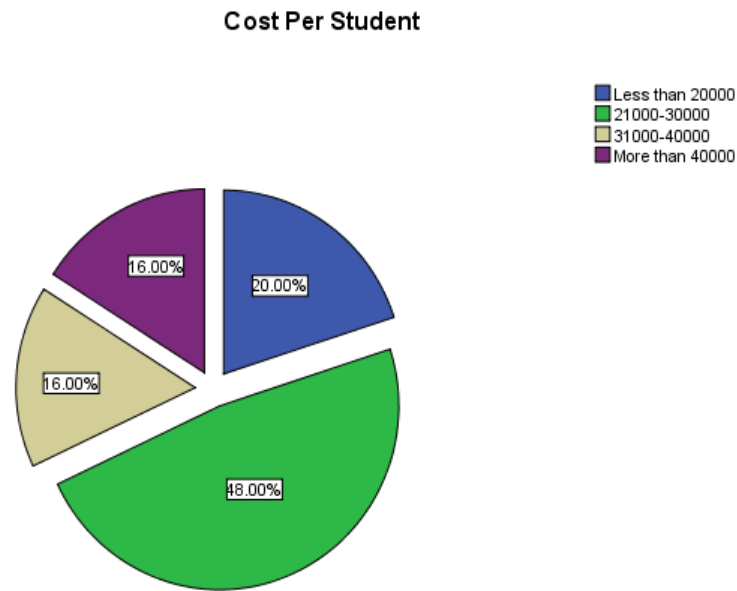
Source of Income	Frequency	Percentage
Income from Fees	25	100.0
Income from Government grants	25	100.0
Income from FSE	19	76.0
Income from Donations	17	68.0
Income from CDF	16	64.0

Source: Research data 2012

4.1.5 Cost per student

The respondents were asked to state the cost per student per year. From the research findings, it was found that 48.0 percent of the schools charged between sh.21,000 to sh.30,000 followed by schools that charge less than sh.20,000. Only 16.0 percent of the schools were found to charge more than sh.40,000 or between sh.31, 000 to sh.40,000 as shown in chart 4.1.5 below. This implied that most schools in Murang’a County did not charge high school fees.

Figure 4.1.5: Cost per student



Source: Research data 2012

4.2.0 Governance Controls

The researcher wanted to establish how critical governance controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that presence of minutes of governing body and its committee had the highest mean of 4.28 followed by presence of written roles and responsibilities of the governing body, its committee and staff level with a mean of 4.16. Presence of annually approved financial scheme of delegation by governing body had the lowest mean of 3.24 as summarized in table 4.2.0

below. It was noted that all governance controls were critical since all had a mean of greater than 2.5

Table 4.2.0 Governance Controls

Governance Controls	N	Mean	Std. Deviation
Presence of minutes of governing body and its committee	25	4.28	.458
Presence of written roles and responsibilities of the governing body its committee and staff	25	4.16	1.106
Staff with financial responsibilities have access to and understand financial regulations and contract standing orders	25	3.56	.917
Presence of annually approved financial scheme of delegation by governing body	25	3.24	.831
Valid N (listwise)	25		

Source: Research data 2012

4.2.1 Income Controls

The researcher wanted to establish how critical income controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that presence of an annually reviewed charging policy had the highest mean of 4.40 followed by receiving and recording funds in accordance with school policy with a mean of 3.96. Issuing invoices

within 30 days had the lowest mean of 2.24 as summarized in table 4.2.1 below. It was noted that some income controls had were not critical since they had a mean of less than 2.5

Table 4.2.1 Income Controls

Income Controls	N	Mean	Std. Deviation
Presence of annually reviewed charging policy	25	4.40	.577
Received funds are recorded and receipted in accordance with school policy	25	3.96	.935
Presence of procedures for identifying income due	25	3.32	.945
Machines that take money including mobile phones are emptied and cash counted by two people	25	2.80	1.155
Invoices issued within 30 days	25	2.24	.436
Valid N (listwise)	25		

Source: Research data 2012

4.2.2 Purchasing Controls

The researcher wanted to establish how critical purchasing controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that presence of written purchasing procedures that specify when quotations and tenders must be obtained had the highest mean of 4.48 followed by contract specification with a mean of 3.44. Cases where quotation process was not followed i.e lowest price not accepted, governing body

informed and minutes taken had the lowest mean of 3.08 as summarized in table 4.2.2 below. It was noted that all purchasing controls were critical since all had a mean of greater than 2.5.

Table 4.2.2 Purchasing Controls

Purchasing Controls	N	Mean	Std. Deviation
Presence of written purchasing procedures that specify when quotations and tenders must be obtained	25	4.48	.872
Contract specification defines nature of provided services, quality standard, information, monitoring requirements and contract review procedures	25	3.44	.651
Tenders and quotations are obtained in accordance with contract standing orders and discretionary procedures	25	3.20	1.118
Cases where quotation process not followed i.e lowest price not accepted, governing body informed and minutes taken	25	3.08	1.115
Valid N (listwise)	25		

Source: Research data 2012

4.2.3 Ordering and Receipt Controls

The researcher wanted to establish how critical ordering and receipt controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that presence of procedure for checking received goods to original order had the highest mean of 3.96

while emergency cases where verbal order was made and later confirmed by a written order had the lowest mean of 2.92 as summarized in table 4.2.3 below. It was noted that all ordering and receipt controls were critical since all had a mean of greater than 2.5.

Table 4.2.3 Ordering and Receipt Controls

Ordering and Receipt Controls	N	Mean	Std. Deviation
Presence of procedure for checking received goods to original order	25	3.96	.889
Separation of duty between person authorizing orders and person receiving and checking delivered goods	25	3.56	.583
Only official orders are used for the procedure of goods and services except utilities, rent and rates	25	3.44	1.003
Emergency cases where verbal order is made are later confirmed by a written order	25	2.92	.997
Valid N (listwise)	25		

Source: Research data 2012

4.2.4 Invoice Controls

The researcher wanted to establish how critical invoice controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that processing of original invoices for payment once they had been checked, coded and certified for payment had

the highest mean of 3.68 while payment of invoices written within appropriate limits had the lowest mean of 2.72 as summarized in table 4.2.4 below. It was noted that all invoice controls were critical since all had a mean of greater than 2.5.

Table 4.2.4 Invoice Controls

Invoice Controls	N	Mean	Std. Deviation
Only original invoices are processed for payment once they have been checked, coded and certified for payment	25	3.68	1.282
Separation of duty between person authorizing orders and person rectifying the invoice	25	2.84	1.143
Payment of invoices are written within appropriate limits	25	2.72	.614
Valid N (listwise)	25		

Source : Research data 2012

4.2.5 Imprest Controls

The researcher wanted to establish how critical imprest controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that payment from the imprest account limited to minor items of expenditure had the highest mean of 4.08 while cash float access limited to authorised staff had the lowest mean of 3.52 as summarized in

table 4.2.5 below. It was also noted that all imprest controls were critical since all had a mean of greater than 2.5

Table 4.3.5 Imprest Controls

Imprest Controls	N	Mean	Std. Deviation
Payment from the imprest account are limited to minor items of expenditure	25	4.08	.759
Responsibility for administration of the imprest account has been assigned appropriately	25	3.80	1.155
Level of petty cash held is appropriate to the needs of the school	25	3.76	.779
Presence of written procedures for administration and use of imprest accounts	25	3.72	1.021
Cash float access is limited to authorised staff	25	3.52	1.194
Valid N (listwise)	25		

Source: Research data 2012

4.2.6 Asset Controls

The researcher wanted to establish how critical asset controls were to the secondary schools in Murang'a County in ensuring financial efficiency (1-No impact, 5-Extremely critical). From the research findings, it was established that all keys to safes and cash boxes in which money or valuables were secured were carried by the person responsible at all times had the highest mean of 4.42 followed by annual check of physical items listed on the inventory undertaken by an independent officer with a mean of 3.56. All write-offs and disposal of surplus stock and equipment undertaken in accordance with

written financial regulations had the lowest mean of 2.40 as summarized in table 4.2.6 below. It was noted that some asset controls were not critical since they had a mean of less than 2.5.

Table 4.2.6 Asset Controls

Asset Controls	N	Mean	Std. Deviation
All keys to safes and cash boxes in which money or valuables are secured are carried by the person responsible at all times	24	4.42	.654
Annual check of physical items listed on the inventory undertaken by an independent officer. The inventory is signed and dated to confirm agreement	25	3.56	.821
All property taken off the school is recorded, signed for and its return recorded	25	3.12	1.054
All write-offs and disposal of surplus stock and equipment undertaken in accordance with written financial regulations	25	2.40	1.118
Valid N (listwise)	24		

Source: Research data 2012

4.3.0 Regression Analysis

The research study wanted to establish the impact of financial controls on management of FSE funds in secondary schools in Murang'a County. The research findings indicated that there was a positive relationship ($R= 0.364$) between the variables. The study also

revealed that 13.30 % of financial efficiency can be explained by the independent variables. The findings are as shown in table 4.3.0 below.

Table 4.3.0 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.364 ^a	.133	-.041	1.000

Source: Research data 2012

The results of the regression equation below shows that for a 1- point increase in the independent variables, financial efficiency of secondary schools in Murang'a County is predicted to increase by 23.040, given that all the other factors are held constant. The findings are as shown in tables 4.3.1 below.

Table 4.3.1 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.057	4	.764	.765	1
	Residual	19.983	20	.999		
	Total	23.040	24			

Source: Research data 2012

Positive effect was reported on governance controls, income controls and assets controls ($\beta_1=0.098$, $\beta_2=0.544$ and $\beta_4=0.061$) respectively. However, negative effect was reported for purchasing controls ($\beta_3=-0.630$). The findings are as shown in table 4.3.2 below

Table 4.3.2 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.334	2.189		.153	.880
Governance Controls	.169	.382	.098	.443	.663
Income Controls	.998	.625	.544	1.597	.126
Purchasing Controls	-.715	.486	-.630	-1.471	.157
Assets Controls	.087	.414	.061	.211	.835

Source: Research data 2012

From the research findings above, the equation for the regression model will be expressed as below

$$E = k + \alpha_1 t_1 + \alpha_2 t_2 + \alpha_3 t_3 + \alpha_4 t_4 + e$$

$$E = 23.040 + 0.098t_1 + 0.544t_2 - 0.630t_3 + 0.061t_4 + e$$

Where: E= Financial Efficiency (Cost per student)

K=Constant

$\alpha_1 t_1$ =School's governance controls

$\alpha_2 t_2$ =School's income controls

$\alpha_3 t_3$ =Purchasing controls

$\alpha_4 t_4$ =Asset controls

e =Error term

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The objective of the study was to establish the impact of financial controls on financial efficiency of FSE funds of secondary schools in Murang'a County. From the research findings, it was found that most schools in Murang'a County were district boarding schools with less than 500 students. It was noted that Murang'a County lacks a national secondary school. All secondary schools in Murang'a County were found to receive their incomes from both school fees and government grants. Since most secondary schools in Murang'a County are district schools, it was established that they had a small amount of school fees charge per student of between sh.21, 000 to sh.30, 000.

Even though all financial controls are perceived as critical, there were some controls that had a positive impact while others had a negative impact on financial efficiency. From the research findings, all the governance and income controls were found to have a positive impact on financial efficiency while on the other hand purchasing controls had a negative impact on financial efficiency.

5.2 Conclusions

From the study findings it would be safe to conclude that even though many controls can lead to financial efficiency, some of the controls were regarded to have a higher positive impact. This is evident from the way respondents replied to questions and the analysis

arising thereof. These included obtaining tenders and quotations in accordance with contract standing orders and discretionary procedures, recording and signing all property taken off from school and presence of an annually approved financial scheme of delegation by governing body. This implies that with increased implementation of these controls, financial efficiency improves but if they are neglected on the other hand, financial efficiency will be compromised.

The financial control factors identified can have considerable positive impact on school's ability to maintain its financial efficiency. Each of the financial control factors can assist secondary school managers in identifying areas of weakness. These financial red flags if identified and acted upon in a timely manner can help a school to avert possible financial disaster. Financial success and academic success are intertwined in the concept of fiscal viability. Schools cannot continue to operate indefinitely without adequate financial controls. A school's long term fiscal viability then depends on both its ability to remain financially healthy and its ability to provide quality education to the students.

5.3 Policy Recommendations

Several areas of concern for schools were identified in the research findings. The following recommendations are made to public secondary schools in Murang'a county. These could assist in improving fiscal viability of those schools such as intensive training on financial management for head teachers, their deputies and the members of school's members committees. This training should be regular and continuous.

It would also be good for the MoE to make it compulsory for teachers in training colleges to undertake courses in financial management of schools. In the long run, this will go a long way in reducing financial management problems experienced by a majority of public schools.

Murang'a County secondary schools should also remove the loopholes under income and asset controls since these controls were found to have a negative impact on financial efficiency. For instance all the challenges that hinder full implementation of these controls should be adequately addressed. The players also need to invest more with the latest technology innovations in financial management to improve financial administration efficiency and reduce fraud risks.

5.4 Limitations of the Study

The attitude towards the exercise, whereby some respondents were unwilling to freely share the information (especially negative information). This was mainly due to the fear of not knowing the information could go to their superior with negative repercussions. Efficiency in a business is commonly measured using RoE or RoA, measuring efficiency in public schools was quite a challenge considering they are not for profit and many a time the author could not figure out how to quantify efficiency.

The primary survey respondents may not be fully and properly informed nor trained in all aspects of the school's financial resources. Hence, the responses may not be entirely accurate or consistent among respondents. The fact that 7 responses were not received

back, their inclusion in the data analysis could have resulted in a more precise conclusion. However, given that non-participating schools were not in any way unique from participating secondary schools ,the above study conclusions can be said to be quite representative of the population.

The time period covered by the study and the resources available to the researcher were also limited. Nevertheless, the researcher overcame these limitations, collected sufficient and representative data to reach the conclusions that were made.

5.5 Suggestions for Further Research

This study was confined to the financial controls on management of FSE funds in Murang'a County. It would be of interest for future researchers to establish the challenges faced while implementing these financial controls on management of FSE funds. Such studies can be replicated in other counties, and in also in private schools which operate as profit making institutions.

In 2011 the government introduced a diploma in education management for all school managers, future studies can be carried to establish the impact it has had on financial efficiency of school funds.

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APPENDIX I

QUESTIONNAIRE FOR THE HEAD TEACHERS

General information about the secondary school

(Please tick as appropriate)

1 What is the type of the school?

Day school ()

Boarding school ()

Both day and boarding ()

2 What is the size of the school?

Below 500 students ()

501-999 students ()

1000-1499 students ()

Above 1500 students ()

3 What Category of school are you in?

a) National ()

b) Provincial ()

c) District ()

d) Other, specify ()

4 What are the sources of income for the school? (Tick appropriately)

Fees () Donations () FSE () CDF () Government Grants ()

5 How much fees does the school charge per student per year? _____

PART II

Secondary School Financial Controls

For the elements listed below on a scale of 1-5, please indicate how critical each factor is in relation to financial control in your school (please tick the correct box)

Scale

- 1- No impact
- 2- Moderate impact
- 3- Critical
- 4- Very critical
- 5- Extremely critical

1) Governance

		1	2	3	4	5
1	The roles and responsibilities of the governing body its committee and staff for financial decision making and administration have been set out in writing					
2	All staff with financial responsibilities have access to and understanding of financial regulations and contract standing orders					
3	There is a financial scheme of delegation approved and reviewed annually by the governing body					
4	There are minutes of all meetings of the governing body and its committee that includes decisions taken by whom action is to be taken					

2) Income

		1	2	3	4	5
1	The charging policy is reviewed annually					
2	There procedures in place for identifying income due					
3	Invoices are issued within 30days					
4	All funds received are recorded and receipted (in accordance with school policy)					
5	All machines that take money including mobile phones are emptied and the cash counted by two people					

3) Expenditure

3.1 Purchasing

		1	2	3	4	5
1	There are written procedures for purchasing that specify when quotations and tenders must be obtained					
2	Tenders and quotations are obtained in accordance with contract standing orders and discretionary procedures					
3	Where the quotation process has not been followed the lowest price not accepted, the governing body is informed always of the reason for the decision and it is included in the minutes of the relevant meeting					
4	Each contract specification defines the services to be provided in terms of its nature, quality standard, information, monitoring requirements and contract review procedures.					

3.2 Ordering and Receipt of Goods

		2	3	4	5
1	Only official orders are used for the procedure of goods and services except utilities, rent and rates				
2	In an emergency where verbal order is made is it later confirmed by a written order				
3	There is a procedure in place for checking goods received to the original order				
4	There is a separation of duty between person authorising the order and the person receiving and checking the goods delivered				

3.3 Invoices

		1	2	3	4	5
1	Only original invoices are processed for payment once they have been checked, coded and certified or payment.					
2	Payment of invoices are within the appropriate limits					
3	There is a separation of duty between the person authorising the order and the person certifying the invoice					

3.4 Imprest Control

		1	2	3	4	5
1	There are written procedures for administration and use of imprest accounts					
2	Responsibility for the administration of the imprest account has been assigned appropriately					
3	The level of the petty cash float held is appropriate to the needs of the school					
4	The cash float access is limited to authorised staff					
5	Payments from the imprest account are limited to minor items of expenditure					

3.5 Assets

		1	2	3	4	5
1	An annual check is undertaken by an independent officer to ensure the physical items agree to the items listed on the inventory. The inventory is signed and dated to confirm agreement					
2	All property taken off the school is recorded, signed for and its return recorded					
3	All write-offs and disposal of surplus stock and equipment is undertaken in accordance with written financial regulations					
4	All keys to safes and cash boxes in which money or valuables are secured are carried by the person responsible at all times					

Appendix II

The Eight Districts of Murang'a County

1. Kiharu
2. Mathioya
3. Kangema
4. Kandara
5. Kigumo
6. Murang'a South
7. Murang'a East
8. Gatanga