

**"A SURVEY OF BUDGETING
PRACTICES IN SECONDARY SCHOOLS
(A CASE OF PUBLIC SECONDARY SCHOOLS IN NAIROBI)"**

By

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University

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This project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

To my entire family, for their encouragement and support during this course. My mother and father, whose wise guidance and upbringing inspired me a lot.

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ABSTRACT

Education is a major exist route from poverty. It's therefore necessary that relevant policies are put in place to ensure accessibility to education by a majority of Kenyans. It's only by so doing that sustainable economic development can be achieved. To enhance efficient resource utilization in schools effective hudgeting and budgetary control practices have to be put in place.

The objectives of this study were to establish the hudgeting practices among public secondary schools operating in Nairobi area province, to determine the perceived benefits of budgeting by public secondary schools managers and establish factors that secondary schools consider when undertaking a budgetary process. To achieve these objectives a survey was conducted and data collected by the use of structured questionnaires that were administered by the researcher. The questionnaires where dropped and picked latter from those respondents who were able and willing to fill them on their own. A database was created using Lixel, and SPSS package was used for data analysis.

The study established that most secondary schools do not have a strategic plan to guide them towards achievement of both long-term and short-term objectives. Also evident from the study was the fact that schools with a large number of students, large parcels of land and many staff employed and paid by the school tend to charge a high amount of fees. The size of the school in terms of student population had no effect on occurrence of deficit or surplus in the school operations. The heads of secondary schools had received training in financial management. And before budgets were prepared interdepartmental meeting were held. After the budget had been prepared, but before approval, it had to be negotiated between HODs and higher management. The most commonly prepared budget was the income and expenditure budget with only a few schools preparing the cash hudget and long-term asset acquisition budget, despite the fact that most of them had incurred expenditure on long-term investment. Although the research findings indicated that Activity Based Budgeting (ABB) was the commonly used budgeting approach, I highly doubt if it is actually done based on the principals of ABB.

The study also established that the number of students in the school was mostly considered as a key budgeting factor during the budgetary process. Also considered are top management support and clear and realistic goals. Participation by all employees was least considered as a significant budget success factor. According to Lucey (1995) participation promotes common understanding regarding objectives and makes acceptance of organizational goals by individuals more likely, which benefit is unlikely to be achieved in secondary schools.

Further the study established that budgeting had a lot of perceived benefits such as cost control, co-ordination of operations and efficient and effective resource allocation. Motivation of staff was perceived as the least benefit derived from budgeting. Despite all the above benefits, budgeting process was found to be facing challenges such as cost escalation beyond anticipation, budget implementation problems and lack of education for individuals involved.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

1.1.1 School as an Industry

School is a functional unit of the education system. It's a processing device through which the education system meets the aspirations of society. A school is, in economic terms, an industry that transforms a given quality of inputs into required output. According to Okumbe (1998), a school is a unique and complex industry in the sense that its raw materials, that is students, are animate and have to be translated into an appropriate product whose quality cannot be judged from their external appearance. The product of a school is judged by the way its past students perform in society.

The Sessional Paper No. 1 (2005), on policy framework for education, training and research points out the role of education in national development as follows;

- i) Education is a key determinant of earnings and an important exit route from poverty.
- ii) Education is an investment in human capital and evidence shows that human capital is a key determinant to economic growth.
- iii) Education can reduce social and economic inequalities that are characteristic of Kenya today.

During the National Economic and Social Council meeting at Naivasha, on 14th January 2006, the Minister of Education stated that, "Education and Training aims at empowering Kenyans to preserve and utilize their environment for productive gain and sustainable livelihoods while at the same time building the critical mass of necessary stock of human skills for National Development." (MoEST, The Status of the Education Sector, 2006).

According to the Sessional Paper No. 1(2005), at independence in 1963, the government recognized education as a basic human right and a powerful tool for human resource and national development. Since then the government has been committed to education system that

guarantees improved access and relevance of education through better management of service delivery to all learners.

Success in this sector hopefully, will lead to reduction in poverty, economic growth, more employment, and guaranteed sustainable development for Kenyan people in future. In order to perform its role effectively and efficiently, a school and by implication the education system must be able to afford a foresighted educational leadership that is based on sound management principles and techniques.

In a time of constant change, complexity and seemingly increasing challenges, an organization must look for ways to remain afloat and chart a course that will help achieve goals. This requires that the organization must reflect, in an organized and systematic way, on its purpose, goals, accomplishments, environment, and challenges with the aim of making choices about allocating resources and aligning its constituents towards a desired future (Education Sector Support Program (KESPP) 2005-2010, 2005).

1.1.2 Functions of Educational Management

An educational organization 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 adapts to its external environment (Okumbe, 1998).

According to Okumbe (1998), although educational organizations adhere to the tenets of organizations in general, they have some unique functions. The main functions of educational management are:

- i) Assurance that sound policies, goals and objectives are formulated in a given school and that methods are determined for the achievement of these objectives. These call for usage of appropriate planning techniques such as budgets.
- ii) Procurement of resources necessary for the achievement of the objectives. The resources include cash resources, learning and teaching resources, appropriate curriculum and human resources. These resources need to be procured in good time, quantity and quality for successful achievement of the objectives.

- iii) Organization and coordination of the activities of the school with maximum efficiency and effectiveness.
- iv) Influence and stimulate the human resources available. Participative approach to management will give the staff and students the assurance that the human factor is recognized leading to efficiency and effectiveness in goal achievement.
- v) Integrate the school and its activities into the set up of the society. This is done through BOCs, PTA, church organizations and participation in various community activities. These enable the community to provide maximum support to the school thus shaping its image and prestige.
- vi) Evaluation of school activities in accordance to a blue print. Evaluation provides the school management with necessary feedback for improvement redesign or complete overhaul of the system for better results. The application of various evaluation techniques and appropriate corrective measures and controls will ensure maximum efficiency and effectiveness in schools.

What makes an educational organization effective is its ability to utilize its resources even if scanty, in the most efficient manner for maximum productivity. It is therefore necessary that schools develop and adopt detailed plans outlining the acquisition and use of financial and other resources over some given period of time. A feedback mechanism is also necessary to ensure that the plans progress as initially designed and any deviations are reported and corrective action taken (Okumbe, 1998).

The PS, MoEST, in his speech during the official closing of the KSSHA National Conference on 27th July 2003 indicated that the MoEST required prudent financial management in secondary schools and called upon the heads of secondary schools to comply with the rules of accountability and transparency. He stressed that one of the areas of financial management where accountability and transparency had 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 MoEST, BOG and Parents. The PS also noted that a number of heads of secondary schools never submitted books of accounts in time to the district schools auditors for audit. This had led to a backlog of unaudited reports dating as far

as 1995/1996 leading to issues raised being overtaken by events such as transfers, retirement and deaths. The PS also indicated that the short term policy of the government is to reduce cost of education incurred by parents and therefore make education at secondary level affordable.

1.1.3 Budgeting and Budgetary Control:

Where as budgeting is the act of preparing a budget, budgetary control is the use of budgets to control a firms activities (Garrison, 1985). According to Lucey (1995), some organizations have systems of budgeting which are narrowly conceived and consequently they do not obtain the range of possible advantages of budgeting. Hansen et al (1998) have identified key features of a sound budgetary system, which include, frequent feedback on performance, flexible budgeting, availability of monetary and non-monetary incentives to motivate those involved in the budgeting process, participative budgeting, setting of realistic standards, controllability of the budgetary process and the use of multiple measures of performance. Carole (2003) indicates that, trying to plan budget revenue and expenditures accurately is difficult, and an organization's budget may need changing during the year. Projected revenue budget should be amended for significant shortfalls or for expenditures that exceed the appropriations. This will help prevent cash shortages and protect the ability to pay bills and employees. The Principal of Nakuru High School told Nation News paper that, "because of poor performance, the school had not attracted the best students." He also said that, "Some parents contributed to poor performance. We have problems of fees arrears at this school which at times go up to shillings 7 million. This lack of commitment destabilizes the learning programs for schools" (Owuor, 2006).

Although budgetary changes are not undesirable, the information about the changes made should be reported in the interest of accountability to those who are aware of, and perhaps made decisions based on the original budget. Showing budgetary compliance is an important component of accountability and it allows users to assess the organization's ability to estimate and manage its general resources (Carole, 2003). The lack of reporting in the interest of accountability has been the major cause of unrest in schools. Nyatataya (2006) reported in the Daily Nation News paper of 12th January that parents at St Catherine Girls Secondary School in Kesses, Uasin Gishu District had ejected the Headmistress who had locked herself inside the

school. The parents were unhappy with her lack of accountability and failure to address their grievances.

According to Garrison (1985) managers who have never tried budgeting or attempted to find out what benefits might be available through budgeting process are usually quick to state that budgeting is a waste of time. Budgetary control sets a control framework which helps expenditure to be kept within agreed limits, while deviations are noted and corrective action taken. Speedy production of budgetary control statements and immediate investigation of revealed variances provides the best basis for bringing operations into line with the plan or making agreed alterations to the plan. The link between budgetary control and budgetary planning can only be achieved through investigation into the variances (Lucey, 1995). To do this successfully requires full top management support, cooperative and motivated middle managers and staff, and well organized reporting system (Lucey, 1995). According to Hansen et al (1998) budgetary control process should include steps such as monitoring and control, investigation of deviations from the actual results, corrective action and feedback.

1.1.4 The School Budgetary Process

According to Okumbe (1998) the following steps are adopted during school budgetary process:

1. Determination of educational plans. The plans emanate from the educational policies which are stipulated by the MoEST.
2. Preparation of expenditure and revenue plans. These give a comprehensive picture of anticipated expenditure costs and receipts (income) within a given budget period. The revenue in form of fees is based on guidelines provided by MoEST.
3. Presentation, consideration and adoption of the budget. It's upon presentation, consideration and approval by the schools BOG and PTA of the budget document that the school head (Principal) is authorized to forward the budget to the MoEST for the final approval. Approved budgets provide the school Head with authority to collect and spend money.

4. Administration of the budget. The administration of the budget involves:

- i. Budget control
- ii. Development of work plans
- iii. Implementation of the work plans.

In the process of budget administration the school head may realize over-estimates and under-estimates in the various budget items or vote heads. This may necessitate the acquisition of authority, known as "virement" from the PS MoEST or the relevant body to transfer money from one account or vote head with excess funds to another account or vote head with less funds.

5. Appraisal of the budget document and the budgetary process in terms of the purpose for which it was designed. According to the MoEST Financial management instructions for educational institutions (2002), budget appraisal is done during the secondary school annual general meeting conducted at the end of the year. During this meeting the actual results are supposed to be compared with budgeted results and the causes of any deviations discussed. It is during this meeting that the budget of the succeeding year is expected to be approved by the BOG, PTA, and the parents. The budget together with the financial statements, are then expected to be sent to the District to be audited by the district schools auditors. The head of the secondary school together with the chairman BOG will then be invited for audit queries.

According to the Report of the National Conference on Education and Training held at KICC on November 27th-29th 2003 it was noted that the Kenya education system is highly centralized with the MoEST playing the key role. This arrangement had resulted in major weaknesses in management and delivery of services particularly at school level. Mechanisms to coordinate the various state agencies involved in the management of education are lacking and capacities of district and school level structures that manage education services are inadequate, particularly at the district and school level planning and reporting, inspection and monitoring of resource management.

Due to inadequate planning and reporting, inspection and monitoring of resource management, there has been allot of exploitation of parents in some secondary schools. A parent demanded

that her daughter who had completed her form four examination from a boarding secondary school in Nakuru be given back the hockey stick she had bought when joining form one. The head teacher was shocked that the school did not have a single hockey stick in its store despite the fact that every student had brought one on joining form one. The questions asked were, where did the hockey sticks disappear to and why should a non hockey playing secondary school ask students to buy hockey sticks (Oluoch, 2006).

According to the MoEST, Financial management instructions for educational institutions (2002), management of the resources of a secondary school shall be the responsibility of the head of that institution. Teaching Staff, support staff, the BOG, and PTA may lend their resource management support to the head of the institution.

However there has been discontent by a section of secondary school heads on some of the policies set up by the MoEST. One of the big issues has been on fees recommendations set by the ministry. The Chairman of the KSSHA, Mr. Peterson Muthathai proposed during the annual National Heads Meeting that schools be allowed to determine their own fees. He suggested that fees be raised from shillings 23,000 per year to a minimum of shillings 30,000 per year and day secondary schools to charge shillings 15,000 per year instead of shillings 6,600 per year that the MoEST had directed them to charge. He also added that DEBs be empowered to oversee the issue of the fee structure. However this proposal was rejected by Prof Karega Mutahi the PS MoEST. The PS said, that they had agreed in the year 2004, that secondary schools come up with proposals on fees amounts, which should be discussed in the DEB meetings and then latter the recommendations forwarded to him. Yet he had not received any of the recommendations (Abdulsamad Ali, 2005).

During the National Conference on Education and Training held at KICC November 27th -29th 2003 the MoEST came up with a number of policy recommendations to the secondary school education sub sector. The policies are that, the MoEST should ensure that all teacher managers are trained in the application of management skills, school heads who misappropriate funds should not be transferred to other schools as had been the case , but instead should be surcharged and displied. head teachers should not be allowed to serve in one station for more than 5 years.

the current conflict between the MoEST fees guidelines and the requirements of secondary school budgets should be solved by the ministry, the MoEST should raise the qualifications of BOG members to minimum of form four level and that politicians to be kept out of secondary school management and leave this role to educationist (MoEST, National Conference on Education and Training, 2003)

Despite these recommendations, cases of financial mismanagement have been noted among the secondary school heads. A Nation news correspondent (2005) reported in the Daily Nation news paper that the ministry of education had sent auditors to Kisukioni Secondary school in Machakos district to investigate claims of cash misappropriation. The ministry's action came as a result of a financial report prepared by the schools' clerk citing alleged misuse of funds. Copies of the report were distributed to members of the schools' BOG and parents who in turn appealed to the government to intervene on the matter. The report indicated that shillings 393,779 could not be accounted for. Information obtained from TSC, Discipline section registry, indicates that cases of financial mismanagement among secondary school heads have been increasing since the year 2003. The table below shows statistics of reported cases of financial mismanagement by Principals of Secondary schools for the years 2003 to 2nd may 2006

Table 1.1.4.1: Financial Mismanagement by Principals of Secondary schools

Year	2003	2004	2005	2006 (up to 2 nd may)	Total
Number of reported cases	12	13	16	9	50

Source: TSC, Discipline section registry, 2nd may 2006.

According to information obtained from TSC Discipline section registry, the cases of financial mismanagement so far reported, range from misappropriation and mismanagement of funds, fraud and embezzlement of funds. The fact that reported financial mismanagement cases are low, chances are that these may be an understatement of the real problem, considering the extent of complains from the public.

1.2 STATEMENT OF THE PROBLEM

Garrison (1985) asserts that most managers will have well-defined thoughts about what they want to accomplish and when they want it accomplished. The difficulty is that they should have some way of communicating their thoughts and plans to others, so as to enable their companies attain the desired objectives. There is need to establish whether lack of a consensus, on how much fees parents ought to pay for secondary school education, among the policy formulators (MoEST) and policy implementers (heads of secondary schools) is as a result of lack of proper budgeting techniques by those charged with financial management in secondary schools. The issue of who among policy formulators and policy implementers is correct, as far as setting of fees to be paid by parents in secondary schools, has continued to take centre stage in most secondary school education policy forums.

Copeland (2000) noted that poor financial performance, in business, is attributed to poor business planning, unrealistic and conflicting goals and targets, absence of monitoring and evaluation of activities. However through effective budgeting and budgetary control process, these activities can be efficiently and effectively managed. The major objective of the MoEST has been to make education affordable by reducing cost so as to increase accessibility by all. There is therefore a likelihood that the humanistic-face approach of the MoEST may result in fees guidelines and recommendations that do not reflect the real cost associated with provision of education in public secondary schools. Uniform fees recommendations that do not consider institutional differences, such as size of the secondary schools, may pose a weakness of the MoEST education policy on secondary schools. Could this be the reason as to why heads of secondary schools have been lobbying for each individual secondary school to determine its own fees? School budget plans are made for a given period of time, usually one year. Drury (2004) has criticized preparation of budgets on an annual basis, on the grounds that it is too rigid and ties an entity to a twelve month commitment, which can be risky because the budget is based on uncertain forecasts. He advocates for continuous or rolling budgeting. *

Education planners and managers are frequently faced with issues such as regional disparities that lead to unique problems, resource (human and capital) distribution, learning institutions faced with varied problems, and lack of access to social amenities (MoEST, 2006.). Despite these environmental differences the government has continued to develop common financial policies that cut across different geographical regions. The obvious case has been on fees

guidelines recommended by the MoEST to be adopted by secondary schools in Kenya, regardless of the geographical location.

The Sessional paper No. 1 (2005) on policy Framework for Education, Training and Research points out that, the number of public secondary schools has increased from 151 at independence to 3661 today. Also, at secondary level enrolment grew from 30,000 students in 1963 to 862,908 students in 2003. To meet the ever growing demand for secondary school education as indicated by the positive growth in number of students, policy measures are required to address issues likely to influence access to secondary education, as a way of supporting the country's development agenda. Pursuit of internal efficiency in our education system will be necessary, and this calls for discipline in the budgeting and budgetary control process in secondary schools.

The Sessional paper No. 1 (2005) on policy Framework for Education, Training and Research indicates that, to help achieve economic growth targets and social development through development of human capital the government is determined to improve access, affordability, equality, quality and relevance of education through better management of service delivery to all learners. Since there is no documentation on, critical factors that secondary schools consider when undertaking a budgetary exercise, an investigation of such factors may provide a solution and consensus on the conflict that exists among education stakeholders on matters of financial management in secondary schools in Kenya. This study is pegged on the impression that the budgetary process can resolve the conflict, and therefore it is a unique area that needs special attention.

Although secondary schools are provided with guidelines concerning their budgetary process by the MoEST, the way they carry out their budgetary practices has not been documented. And therefore not much is known about budgeting practices in secondary schools.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are to establish:

1. The budgeting practices among public secondary schools in Kenya.
2. Factors public secondary schools consider when undertaking a budgetary process
3. The perceived benefits of budgeting by public secondary school managers.

1.4 SIGNIFICANCE OF THE STUDY

This study is expected to contribute towards improvement in financial management in schools. Good performance will contribute to national development through production of appropriate human resources. It will help fill the gap between theory and practice as applied in management of public secondary schools.

The study will form a basis for academics and for further research and knowledge on the subject of school budgeting process. The recommendations of this study are expected to enhance management and general performance of secondary schools through proper and accurate communication and implementation of plans.

It's also expected that the study will serve as a source of information to the public who would like to know more about the budgeting process in secondary schools. The study aims at providing information that will enable the government to come up with policy measures that will facilitate smooth development, implementation and control of school budgets.

CHAPTER TWO

LITERATURE REVIEW

2.1 BUDGETING, BUDGETARY CONTROL AND RESPONSIBILITY CENTERS

Louise (2006) defines budget as a statement which indicates a coordinated plan of activities. The effects of all activities are expressed in monetary values so as to facilitate the development of an integrated plan. A budget provides the basis for utilizing scarce resources and directing operation of the organization for achieving specific objectives. Secondary schools therefore need to formulate objectives to be achieved using various types of budgets. The objective of budgeting should not only be to reduce the impact of uncertainty, but also to determine priorities in the use of resources.

Budgeting is the process whereby the plans of an institution, such as a secondary school, are translated into an itemized, authorized, and systematic plan of operation, expressed in monetary terms, for a given period. Budgets are the blueprints for the orderly execution of program plans; they serve as control mechanisms to match anticipated and actual revenues and expenditures (State Board of Regents (SBR) Meeting, 1983). According to Carter et al, (1997) budgetary control is a control technique whereby actual results are compared with budgets and any differences (variances) are made the responsibility of key individuals who can either exercise control action or revise the original budgets.

Responsibility centers enable managers to monitor organizational functions. A responsibility centre is any functional unit headed by a manager who is responsible for the activities of that unit. Responsibility centers in an organization will comprise of Revenue centers, Expense centers, Profit centers and Investment centers (Carter et al, 1997).

2.2 IMPORTANCE OF BUDGETING AND KEY FEATURE OF A SOUND BUDGETARY SYSTEM

Welsch et al (2001) has expressed that budgeting is the only comprehensive approach to managing so far developed which, if utilized with sophistication and good judgment, fully recognizes the dominant role of the manager and provides a framework for implementing such

fundamental aspects of scientific management as management by objectives, effective communication, participative management, dynamic control, continuous feedback, responsibility accounting, management by exception and managerial flexibility. The budget can therefore serve as an important tool for management of resources in secondary schools.

Carter et al (1997) have established a number of advantages to budgeting and budgetary control. First, it compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Budgeting forces management to look ahead, set out detailed plans for achieving the targets for each department and operation, and thereby gives the organization purpose and direction. Budgets promote coordination and communication. They clearly define areas of responsibility. It is therefore through budgeting that managers of budget centers are likely to become responsible for achievement of budget targets in areas under their personal control.

It provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget targets. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors. It therefore enables remedial action to be taken as variances emerge. Budgets motivate employees through participation in the setting of budget targets as such they will strive to see to it that their set targets are achieved. Budgets economize management time through the use of management by exception principle and hence improve the allocation of scarce resources (Carter et al, 1997). Hansen et al (1998) have identified key features of a sound budgetary system, which include, frequent feedback on performance, flexible budgeting, availability of monetary and non-monetary incentives, participative budgeting, setting of realistic standards, controllability of the budgetary process and the use of multiple measures of performance.

2.3 THE BUDGET AS AN INSTRUMENT OF NEGOTIATION

According to Drury (2004), the budget negotiation process between monitors and implementers of the system will determine whether the budget becomes a really effective management tool or

just a clerical device. The budget should be negotiated at each stage so that the figures included are as a result of bargaining process between the budgetees and their superiors. Subordinates will not be motivated to achieve a budget that they did not accept, and therefore their argument for inclusion of budget items should be considered. Whether lack of participation by heads of secondary schools in the setting of fees guidelines is the reason for gross disagreement between the MoEST and heads of secondary schools, on fees recommendations and guidelines is puzzle beyond the scope of this study.

On the other hand it's necessary that attempts are made so as not to approve easily attainable budgets, or impose difficult targets in the hope that an authoritative approach will produce desired results. There is need for the secondary school budget to be negotiated between stakeholders within the secondary school, and between secondary school management, parents and MoEST before it is adopted for use.

2.4 HUMAN ASPECTS OF BUDGETING

Whilst budgets may be an essential part of any commercial activity, they do have a number of disadvantages, particularly in terms of perception. Budgets can be seen as pressure devices imposed by management, thus resulting in bad labor relations and inaccurate record-keeping. Budgets may also lead to departmental conflict. The conflicts will arise due to, disputes over resource allocation and departments blaming each other if targets are not attained. Also while budgeting, it is difficult to reconcile personal and corporate goals. Waste may arise as managers adopt the view, "we had better spend it or we will lose it"(Carter et al, 1997). This is often coupled with empire building behaviour in order to enhance the prestige of a department. Responsibility will also pose a problem since some costs are under the influence of more than one person, e.g. power costs. Lastly managers may overestimate costs so that they will not be blamed in the future should they overspend (Carter et al, 1997). According to information obtained online (<http://www.busmgt.ulst.ac.uk>, 2006) a number of problems may arise with budgeting such as, variances being due to changing circumstances, budgets developed around existing organizational structures which may not be appropriate, budgets may lead to inertia so that a lack of flexibility will result in poor adaptation to changes in the environment, and poorly organized budgets may lead to antagonism within the organization with each department blaming

each other for failures. Behavioral aspects of budgeting are of supreme importance yet complex, often contradictory and imperfectly understood (Lucey 1995). These human subjective aspects include goal congruence, participation, motivation, goal definition and communication (<http://www.busmgt.vist.ac.uk>, 2006).

2.4.1 Goal Congruence

The goals of individuals and groups should coincide with the goals and objectives of the organization as a whole. There is growing evidence that authority imposed from above is less effective than authority accepted from below and goal congruence is enhanced when there is a more participative management style (Lucey, 1995). Through participation the views of all the stakeholders to a decision are considered and incorporated into the solution alternative leading to a mutual consensus.

2.4.2 Participation

It aims at involving all people affected by the budget so as to improve their motivation towards the budget (<http://www.busmgt.vist.ac.uk>, 2006). Participation promotes common understanding regarding objectives and makes the acceptance of organizational goals by individuals more likely (Lucey, 1995).

Penha quoted Vergara, the World Bank administrator for Brazil, as having made the following comments about participatory budget, "It is one of the most positive and innovative administrative experiences to come on the scene in Latin America." Vergara stated, "It is a modern method of governance that has awakened great interest throughout Latin America. It is a modern form of governance in that it transforms representative democracy, into participatory democracy, and into decision-making by consensus. We are not saying that it is the ideal model, but it seems to us that it is the best alternative method to avert social explosions." (Penha, 2003, pp. 3). By establishing the budgeting practices among public secondary schools in Kenya and factors that secondary schools consider when undertaking a budgetary process, this study seeks

to find out whether participation in the budgeting process by the various stakeholders in education will reduce the conflict that has persisted about fees recommendations by the MoEST.

World Bank President James Wolfensohn, while addressing a meeting of NGOs in Prague on September 22nd 2000 declared, "What we are trying to do in an oblique way as we can is to convince the governments that you cannot impose development on communities or groups of people, that what you need to do is to consult so that they could own the process and that we don't design something in Washington or La Paz, but that it includes the people." (Penha, 2003 pp. 3).

2.4.3 Motivation

Budgetary control should be carried out so as to motivate managers rather than create resentment and adverse reaction. It should encourage a sense of responsibility and not be seen as a pressure device. Motivation can be achieved through setting of attainable targets. Research has shown that motivation of managers and subordinates is increased when the reward penalty system of the organization is consistent with organization control system (Lucey, 1995). The question that easily arises is whether the secondary school fees recommended by the MoEST are realistic and capable to sustain effective provision of educational services and facilities to students in secondary schools.

2.4.4 Goal definition;

According to Lucey (1995), people work more efficiently when they have clearly defined targets and objectives. Clearly defined goals agreed and accepted by the individuals concerned, will encourage goal congruence and increase motivation. The MoEST needs to have its goals and targets accepted by heads of secondary schools who should clearly communicate the same to those below in the organization structure.

2.4.5 Communication;

Lucey (1995) asserts that, up to date feedback on performance has a motivating effect. Undue delay, inaccurate data, reports over which the manager has no control, all reduce motivation and severely restrict the usefulness of the information system. By establishing the budgeting practices among public secondary schools in Kenya, this study will help establish whether the heads of secondary schools provide timely performance reports to employees, so as to ensure smooth running of the school.

2.4.6 Padding the Budget or Budgetary Slacks:

Participation in developing budgets may result in attempts to 'pad' the budget (that is obtaining targets which can be easily achieved). Managers tend to consume budgetary slack to satisfy personal aspirations in good years and they tend to convert budgetary slack to profit in bad years. Budgetary slacks are created by underestimating gross revenue, including discretionary increases in personnel requirements, and using standard costs that do not reflect process improvement. These slacks are built into a budget because subordinates expect it to be cut in a higher level review. Yet budgets/targets are cut because slacks have been built in them (Welsch et al, 2001).

The solution to budget padding lies in budget education aimed at developing positive attitudes towards planning and control, all favorable and unfavorable variations should be identified and discussed with each responsible person, specifying a clear cut process and to develop a formal approval policy. The extent to which these factors have been incorporated into the secondary school budgeting system may provide some evidence as to the cause of conflict among stakeholders in education. Each budget must meet the tests of logic, realism and identification of specific needs. Management must convince lower echelons that additional budget changes will be approved at any time, notwithstanding the budget as originally developed, should sufficient and compelling reasons be evident. Budget padding problems exist because of insufficient attention to policy making, communication, the budget approval process and ineffective leadership (Welsch et al, 2001). According to the MoEST Financial Management Instructions for Educational Institutions (2002), management of the resources of a secondary school shall be the responsibility of the head of that institution who may delegate to teaching or support staff as appropriate. Authority to incur expenditure is vested in the head of the secondary school. This

authority may be abused causing secondary school heads to engage in budget padding so as to satisfy personal aspirations in good years and convert budgetary slack to profit in bad years.

2.4.7 Behavioral Impact of Budgets on People

According to Welsch et al (2001), supervisors often assume that budgets can be used as effective pressure devices to increase productivity, yet they don't realize the behavioral effect of such budgetary pressure. One effect is that employees may consciously strive not to exceed budgeted performance in order to lessen the likelihood that the budgeted performance level will ultimately be set even higher.

Another reaction of people to budgetary pressure is to form informal groups, since they feel such pressure can be partially relieved by discussing it with others. Such groups serve as springboards for bringing grievances to management. Other reactions to budgetary pressure include 1) Supervisors placing blame on others when operational problems emerge 2) Staff line strife 3) Reduction in efficiency through distraction, nervousness, and so on. 4) A feeling of failure in meeting budget targets, which often results in loss of interest in work, lower personal standards for achievement, loss of confidence and development of a critical attitude towards others.

School budgets have had a behavioural impact on various stakeholders in secondary schools. For instance during the meeting of KSSHA held in June 2005, temperatures rose amid shouts and booing by the heads of secondary schools, when the Permanent Secretary MoEST, Prof. Karega Mutahi rejected the proposal by the Heads to individually determine fees for their institutions (Abdulsamad, 2005). A general observation indicates that most strikes in public secondary schools in Kenya are related to budgeting and budget implementation matters.

2.5 APPROACHES TO BUDGETING

Drury (2004) has outlined various approaches to budgeting as: 1) Activity based budgeting, 2) Incremental budgeting 3) Planning, programming budgeting system, 4) Zero-based budgeting. Thompson et al (2005), has included line item budgeting as the 5th approach to budgeting.

2.5.1 Incremental Budgeting

The existing operations and the current budgeted allowance for existing activities are taken as the starting point for preparing the next annual budget. The base is then adjusted for changes which are expected to occur during the new budget period. The concern is with the increment in operations or expenditure that will occur during next budget period. In this approach past inefficiencies and waste inherent in the current way of doing things are perpetuated (Drury, 2004).

2.5.2 Activity Based Budgeting (ABB)

Drury (2004) asserts that, ABB aims to manage costs effectively by authorizing the supply of only those resources that are needed to perform activities required to meet the budgeted production and sales volume. Cost objects are the starting point. Their budgeted output determines the necessary activities which are then used to estimate the resources that are required for the budget period. It involves the following steps (a) estimate the production and sales volume by individual products and customer (b) estimate the demand for organizational activities (c) determine the resources that are required to perform organizational activities (d) Estimate for each resource the quantity that must be supplied to meet the demand and (e) take action to adjust the capacity of resources to match the projected supply.

2.5.3 Planning Programming and Budgeting Systems (PPBS)

According to Drury, (2004) PPBS enables management of a non-profit organization to make more informed decisions about the allocation of resources to meet the objectives of the organization. PPBS involves the following stages a)establishing the overall objectives b) identifying the programs to achieve these objectives and c)determining the costs and benefits of each program so that budget allocations are made on the basis of cost benefits of the different programs.

PPBS require that each unit in a secondary school establishes through systematic planning the programs' goals before considering the object of expenditure. The process requires an education plan where each unit makes plans to meet instructional objectives, underlain by a plan for

spending justified by needs. This model links programs and expenditure to a presumed cause and effect of money (Thompson et al, 2005).

2.5.4 Zero Based Budgeting (ZBB)

ZBB is mainly used in non-profit organizations. ZBB works from the premises that projected expenditure for existing programs should start from base zero, with each year's budget being compiled as if the programs were being launched for the first time. All funds are allocated on the basis of cost-benefit evaluative analysis that ensures value for money (Drury, 2004). According to Carters et al. (1997), ZBB helps to break out of the cyclical budgeting problem by ensuring that all resources will have to be justified and the chosen way of achieving specified objectives will have to be compared with the alternatives.

Political overtones often overshadow school finance and budgeting. Politics clearly apply to ZBB, as ZBB has been a case of external politics pressing change on schools during an era of fiscal austerity (Thompson et al, 2005). The MoEST may institute policies that do not consider both environmental and institutional differences just because sound budgeting practices have not been observed by stakeholders in education.

2.6 PLANNING AND BUDGETING PROCESS

For administrative purposes, the organization is divided into a number of departments. The sum total of activities of all departments help the organization to achieve its objectives and goals. Management may choose to treat all interactions as 'black-box' events and not prepare plans for future activities and programmes. Louise (2006) observes that without planning the organization is like a black box. There is no knowledge of what is happening inside it, or of the working of interrelationships and interdependencies. Planning provides better management of resources and helps identify potential financial resource problems in the form of expected deficit. Deficit may arise because of inefficient utilization of resources, an unsustainable scale of activities, or inadequate funding. Consequences of inadequate planning include deficits not being anticipated, ad hoc requests, arbitrary approvals and cuts, and therefore an impact on services. The practicability of arbitrary cuts in secondary school fees imposed by the MoEST, on the supposition that there is more scope for improvements and efficiency needs to be investigated. In

reality that may not be the case and services may get affected. Also the impact the cuts will have on the goals and objectives of the secondary schools should be considered a matter for further research as it is not captured in this study.

According to Louise (2006), the organization should react to such shocks and surprises (arbitrary cuts in fees) in some systematic manner. Management must have advance information on possible deficits. For this reason secondary school management has to plan and prepare budgets. Planning may also help the secondary schools to establish concrete goals for motivating employees to perform better, and provide standards for measuring performance. Without planning, the organization may not know how things are happening and how interrelationships and interdependencies work. Planning alerts management to potential problems, and the result is better management of resources. Analysis of deficits helps management to identify reasons and take corrective actions.

2.6.1 The Budgeting Process

According to Masya et al (2003), the budget process proceeds in three stages, namely: budget planning and formulation, budget approval, execution and monitoring. After approving the budget, the people involved in preparing the budget should be motivated to achieve the targets and thus help management to realize expectations. However, Louise (2006) states that, for successful implementation of a budgetary control system, certain conditions must be fulfilled, including: a statement of goals and objectives, creating budget centers, developing accounting controls, communication, coordination and budget administration.

2.6.1.1 Statement of Goals and Objectives

All resources have an economic cost and are also scarce. As a result, the secondary schools should be very clear in describing their long-term objectives, which in turn help decide its priorities. A clear statement of goals and objectives provides direction and motivation to individuals and groups in channeling their efforts towards a common goal. It is important that the short-term objectives are realistic and should consider all variables, such as administrative

support, etc. Whenever there is a change in these variables, they must be incorporated into the plans and budgets (Louise, 2006).

2.6.1.2 Creating Budget Centers

One objective of preparing the budget is to see that goals are achieved in a coordinated and efficient manner. To accomplish this, the secondary schools have to create a sound structure by defining in clear terms the authority and responsibility of each HOD. The activity and performance of each HOD is evaluated in terms of assigned authority and responsibility. The secondary schools could use several criteria to define a budget centre, including the fact that a designated HOD is responsible for attaining results in relation to the operations within that centre. The outputs by way of services and inputs required are clearly defined, or each budget centre is distinct from one another (Louise, 2006). HODs should be asked to submit a budget for their planned activities during the coming year. While creating such responsibility, each department or budget centre could be treated as a cost centre. The basic objective of creating such cost centers is to control the activities of the organization. Each HOD should be responsible for costs or expenses incurred by his or her department. Performance should be evaluated by comparing actual costs with budgeted costs, a technique called analysis of variance. The involvement and cooperation of the employees is sought and developed through the education process (Louise, 2006).

2.6.1.3 Developing Accounting Controls

The recording of transactions should be for the purpose of preparing financial statements and simultaneously producing significant information for planning and control. The controls ensure that transactions are implemented only by those authorized to do so by management. Records are maintained, a physical examination and count of secondary school resources, and access to resources is through documented management authority. The effectiveness of a budgetary control system depends on timely availability and supply of information, and good accounting controls ensure this availability. Development of accounting controls will revolve closely around creating responsibility accounting centers (Louise, 2006).

2.6.1.4 Communication

It goes without saying that there should be top management support in making the budgetary control system successful. Top management should not only educate all involved concerning the usefulness of the system, but also communicate the goals, objectives, means of implementing the budget, and responsibilities of each departmental head. Secondary school management should take care that it creates an atmosphere which leads to a flow of correct and relevant information. The people involved in the process should be encouraged to discuss and draw attention to all facts relevant to the given situation. One problem which management faces is the accuracy of information supplied by various departments. Another problem is related to the kind of interdepartmental conflicts which may arise during the budgeting process. Through effective communication, the organization can resolve some resource allocation conflicts. The follow-up procedure will ensure that there is effective implementation of the budget (Louise, 2006).

2.6.1.5 Coordination

The development of a budgetary control system requires coordinated efforts from different departments and at various levels. To ensure staff involvement and participation, all efforts need to be coordinated. Since different departments are involved, conflicts are likely to arise. Mechanisms should be developed to resolve such conflicts without affecting the basic objectives. Management must also ensure that people actively participate in the budgeting process as this will ensure staffs feel committed, motivated and encouraged to work towards the common goals and objectives (Louise, 2006).

2.6.1.6 Budget Administration

In organizing and administering a budget system Carter et al (1997) have outlined the following characteristics which may apply:

- a) Budget centers: Units responsible for the preparation of budgets. A budget centre may encompass several cost centers.
- b) Budget committee: This may consist of senior members of the organization, e.g. HOD and executives (with the managing director as chairman). Every part of the organization should be represented on the committee, i.e. representative from sales, production, marketing and so on. The functions of the budget committee will include, Coordination of the preparation of budgets,

including the issue of a manual, Issuing of timetables for preparation of budgets, Provision of information to assist budget preparations, Comparison of actual results with budget and investigation of variances.

- c) Budget Officer, who controls the budget administration. His job involves, liaising between the budget committee and managers responsible for budget preparation, dealing with budgetary control problems, ensuring that deadlines are met, and educating people about budgetary control.
- d) Budget manual, which will contain the organization chart, details of the budget procedures, account codes for items of expenditure and revenue, timetables of the process and clearly define the responsibility of persons.

The complexities involved in preparing the budget and implementing the budgetary control system are many. Management has to put in an effort to ensure that the basic objectives of budgeting are achieved. To achieve this, the secondary schools need to develop some formal mechanisms (Carter et al, 1997). According to Louise (2006), one such mechanism is to constitute a Budget or Planning and Policy Committee. Management can delegate the task of budget administration to this committee. Budget administration should include setting of priorities, preparing the budgets and follow up. All budget centre heads should be members of this committee. Management should also appoint one coordinator to the committee.

Through the budget committee system, management ensures that the heads of activities prepare budgets in a coordinated manner and that control mechanisms are effectively implemented. The budget committee should also ensure that there is no conflict among the different activity heads, and should resolve them if there are any. The budget committee should draw a detailed time schedule for budget preparation, submission, discussion, modification and final approval. These schedules should be strictly adhered to. The budget committee should also decide about the frequency of submitting reports on actual performance; primarily this depends upon how critical a particular activity is (Louise, 2006).

The HODs in secondary schools should be required to submit a detailed budget, indicating establishment expenses and other expenses, such as salaries, wages and other staff-related costs. Each cost centre would indicate expenditure on ongoing activities and programmes (revenue items), and on new activities and programmes (capital items). Once departmental budgets are

obtained, the information can be conformed and collated to provide the basis for the secondary school budget (Louise 2006). The extent to which budget committees have been established in secondary schools to administer budget implementation, or whether it is a one-mans show, will be one of the matters to be investigated by this study.

2.7 BUDGET CONTROL

According to Carole (2003), the budget document is used to plan, control and report on the collection of revenues and the expenditure of funds. According to him an organization should adopt an official budget document that summarizes expenditures by department in categories such as "salaries and wages," "general operations," and "capital outlay." This would allow the secondary school HODs to use unspent budget money for a piece of equipment that costs more than anticipated. After the budget has been adapted the administrator should set up summary budgetary accounts to use as control accounts against spending.

Future outcomes are controlled on the basis of what has been achieved in the past. Control is possible only if we have established criteria against which the actual accomplishments can be compared. The indices (targets) developed for the purpose of evaluating planned tasks and actual accomplishments provide important insights into achieved efficiency of planning. Any departure from the planned figure should be treated seriously, and a detailed examination of factors causing such deviation undertaken (Louise, 2006).

2.7.1 Variance Analysis

Louise (2006) asserts that, the objective of variance analysis is to strengthen the control process in the future by eliminating negative elements and encouraging positive ones. The analysis draws attention to weaknesses of operations in the past and forces management to make a concentrated effort to minimize them. Change in the scale of activities and operations have an effect on variance. This should not be seen as negative variance. Variance has to be adjusted for a change of scale. Similarly, quantity variances may not be because of inefficient use of resources. The second point to note is that it is very important to separate the influence of rising prices from

price variance. A comparison of prices with the base period price may help the analysis. David (2000) has identified four key reasons that cause budget variances. These factors may also contribute to budget variances in secondary schools and will include; faulty arithmetic in the budget figures, errors in the arithmetic of the actual results (i.e. actual results are reported wrongly), reality being wrong (i.e. actual results are useless as an indicator due to natural disasters) and difference between budgeted assumptions and actual outcome (this because no one knows the future outcome for certain).

One practical difficulty which management may face in variance analysis is the existence of a large variety of costs and associated variances. It may not be possible to keep track of all variances, both small and large. It would be useful to analyze the variances of those items which involve big sums or have relatively large variances. Management could design the classification system based on grouping all the various costs into A, B or C categories. The ABC method classifies stock into categories of importance so that the most elaborate procedures of controlling stock can be applied to the most important items (Drury, 2004). Variances for the most important items in secondary schools must be investigated in detail. Only large variances would be investigated in the other two categories.

2.7.2 Internal and External Auditing

Auditing is a systematic process of evaluating transactions to determine an organization's compliance with prescribed policies and procedures. In secondary schools, the objective of auditing may be to minimize the likelihood of fraud, misappropriation, waste or inefficiency. The audit procedure should ensure that activities are performed efficiently. The audit report should indicate whether the organization is moving towards the desired goals. The audit process should be conducted by a competent and independent authority, which systematically examines the financial records and other information. The MoEST is responsible for the conduct of audit in secondary schools. This process should be conducted on an annual basis (MoEST Financial management instructions for educational institutions, 2002).

2.7.3 Management Action and Cost Control

Louise (2006) asserts that producing information in management accounting form is expensive in terms of the time and effort involved. It will be very wasteful if the information produced is not put into effective use. There are five parts to an effective cost control system. These are; preparation of budgets, communicating and agreeing budgets with all concerned, having an accounting system that will record all actual costs, preparing statements that will compare actual costs with budgets, showing any variances and disclosing the reasons for them, and taking any appropriate action based on the analysis of the variances. Other variances might prove to be much more difficult, and sometimes impossible, to control. Variances revealed are historic. They show what happened last month or last quarter and no amount of analysis and discussion can alter that. However, they can be used to influence managerial action in future periods.

2.8 AMENDING THE BUDGET

Carole (2003) alleges that, trying to plan budget revenue and expenditure accurately is difficult. A secondary school's budget will probably need to be changed at some time during the year. Secondary schools should amend the projected revenue budget for significant shortfalls from the estimates or for expenditures that would exceed the appropriations. Formally amending the budget for major revenue shortfalls or increased expenditures will help prevent cash shortages and protect the ability to pay bills and employees. Although it has been fairly common practice, the budget should never be amended at the end of the year merely to make all budgeted amounts equal actual expenditures. This gives a false picture of revenue and expenditures. It makes the budget document useless as a tool for planning, control and evaluation.

Many organizations revise their original budgets over the course of the year requiring them to report their original budget in addition to their revised budget. This adds a new analytical dimension and increases usefulness of the budgetary comparison. Budgetary changes are not, by their nature, undesirable. However, the information will be important—in the interest of accountability—to those who are aware of, and perhaps made decisions based on the original budget. It will also allow users to assess the secondary school's ability to estimate and manage its general resources. Showing budgetary compliance is an important component of accountability (Carole, 2003).

2.9 BUDGET BALANCING TECHNIQUES

Carole (2003) has suggested a number of techniques that managers can use to arrive at a balanced budget. These include:

Trim Expenditures This action may take the form of an across-the-board reduction, such as “cut travel expense by 20 percent” or “reduce all departmental budgets by 5 percent.” This approach may not be a good solution, because it will not result in a large amount of savings. It also ignores managerial responsibility to shift resources from the less needed programs to the more important ones.

Reduce Programs: An example would be to reduce library hours in the evenings. The services are still available, but would require less personnel cost.

Eliminate Programs: Such a strategy seeks to evaluate those areas that have diminished in importance, have accomplished their intended purpose, no longer serve the targeted population, or are duplicative. Elimination of programs or services may yield the most savings.

Use Reserves: This tactic should only be used as a temporary balancing measure. Because using reserves may only delay other balancing action, thereby creating major problems later.

Defer Expenditures: This approach is a popular balancing method but should be used cautiously. Many financial crises are the result of deferring needed vehicles and capital infrastructure replacements. This deferral can amass a large liability for future budgets.

Eliminate the Fat: This suggestion may sound good, but experience has shown there is not really as much “fat” as outsiders may believe.

Improve Productivity: The popular concept of “doing more with less” should be to look for better ways to provide services through improved methods and increased use of automation.

Expand Revenue Base: Increasing fees and expanding the sales can expand the revenue base. This method does not always produce significant income, and there may be a backlash from the public for raising fees.

Increase Property Tax: As unpopular as this budget balancing approach may be, it is frequently used, but also may produce fewer backlashes than a reduction or elimination of services. Carole (2003) alleges that these techniques will enable managers to do more with less.

2.10 SECONDARY SCHOOL EDUCATION

2.10.1 General Secondary Education

Secondary education caters for students between 14 and 17 years from form 1 to form IV. (World Bank Report, number 28064 – KE, 2004). According to MoEST, TSC and Education statistics section (2004), in the year 2004, there were a total of 4,111 secondary schools in Kenya consisting of 3,621 public secondary schools and 490 private secondary schools. The public secondary schools are classified as National, Provincial, District secondary schools. World Bank report number 28064 – KE, indicates that the enrolment in secondary schools in the year 2000 was about 666,915 of which 47% were girls.

2.10.2 Internal Efficiency and Quality of Education System

According to World Bank report number 28064 KE (2004), education systems in Kenya has been characterized by low internal efficiency, as indicated by high grade repetition and dropout rate. At the end of the 8th year an average of 63% of the entrants in primary schools are still in the education system. Survival at Secondary school is relatively better since at the end of the 4th year, an average of 84% of the entrants are still in the system. Based on information obtained from the Ministry of Finance and Planning second report on poverty in Kenya (2000), 30.7% of the school non attendants interviewed country wide indicated that their reason for non-school attendance was inability to afford educational expenses.

Due to introduction of the diversified and costly curriculum in the 1980's public resources could only finance teachers salaries, leaving other teaching and learning inputs to be financed by parents who were also constrained during the same period due to declining economy and increased poverty. The most important inputs include teachers, curriculum, instructional materials, and learning environment (classrooms and other facilities). Inappropriateness and shortage of education inputs has shown negative impact on the learning outcomes.

Although education inputs are closely linked to learning outcome, the other crucial factor is the process that mobilizes inputs to produce the results. It explains why schools with comparable inputs produce different results. The process factors include effective utilization of teaching resources including innovations in teaching methodology, collaborative lesson planning, peer support on pedagogy, close monitoring of student achievement and sharing with parents and staff for further development. (World Bank report number 28064 – KF, 2004)

2.11 COST AND FINANCING OF EDUCATION SYSTEM

2.11.1 Efficiency

Inefficiency and inadequate public spending on education has put much of the financial burden on poor households. Households' expenditure includes tuition, school uniform, textbooks, transportation, meals and boarding and harambee contribution. Efficiency improvement would benefit all the areas of sector development, thereby improving quality and lowering unit cost as well as strengthening the management of the system (World Bank report, number 28064 – KF, 2004).

2.11.2 Fees Charges in Public Secondary Schools

After careful consideration of the prevailing economic situation and the level of poverty and in line with its policy of making education affordable and increasing access and equity, the MoEST, in a circular Fees Charges in Public Secondary Schools, reference number G9/1 Vol. VIII (47) (2002), issued fees guidelines to all secondary schools. The Ministry has classified the schools into 3 categories and directed that schools in each category must charge equal amount of fees as indicated by table 2.11.2.1 in Appendix I (page 71), starting from the year 2003.

According to the circular G9/I Vol III (47) (2002), the fees schedule indicates the maximum charges and any adjustment should not exceed the approved ceiling. The secondary schools have been instructed to maintain the levels of each vote head and limit the number of items to essential ones to minimize costs to parents. Only approved projects by the DEB or provincial Education Board should be undertaken. The responsibility for the procurement of uniform should be left to individual parents.

According to Brian (1993) schools fix fees against a mix of six factors. a) Number of students enrolled, b) Minimum break-even fees, i.e. unit cost per student, c) Total income d) The efficiency of the school in converting income into education e) The quality of education provided, f) Customers perception of the quality of education provided. The parents' perceptions of the quality of education may or may not reflect its actual quality and effect. It will be these perception which feedback into willingness to send their children to the school or pay fees of a given level.

Of course, independent schools do not work out their fees in this theoretical way in practice they look at the income from current fees and enrolment and the quality of education this provides and if the combination seems satisfactory and broadly in line with similar schools, they maintain this fees (Brian, 1993).

2.12 OVERALL RESPONSIBILITY FOR RESOURCE MANAGEMENT IN SECONDARY SCHOOLS

According to the MoEST Financial Management Instructions for Educational Institutions (2002) management of the resources of a secondary school shall be the responsibility of the head of that institution who may delegate to teaching or support staff as appropriate. The BOG, school management committee (SMC), PIA or other stakeholder groups may lend their support to the head of the institution in respect of resource management but that support to the head of the institution in respect of resource management does not constitute a change to the primary responsibility. The management of a secondary school shall be accountable to parents, students, the government and donors as appropriate for the use of the institutions resources.

Based on the MoEST, Financial Management Instructions for Educational Institutions (2002), the institutions management should maintain accounting records and financial statements, which show how the institutions resources have been obtained and used and also the financial position of the institution at a specific date. The financial statements of the educational institution shall be audited once every year in accordance with the provisions of the education Act. Non compliance with these directives constitutes breach of duty and those responsible shall be liable for disciplinary action under the provisions of the Teachers Service Commission (TSC) Act and the code of regulation of Teachers.

2.13 FINANCIAL MANAGEMENT SYSTEM OF SECONDARY SCHOOLS

Each secondary school should determine its expenditure priorities through established procedures and the expenditure priorities must be approved by the institutions management, the approval must be evidenced in writing. A budget should then be prepared reflecting recurrent and capital (development) expenditure. Analysis of expenditure items shall be in the format of standard account names; vote/vote head/sub-heads/items. The secondary school is expected to raise money in accordance with approved budget, which may include user charges on parents, grants from government and donors, and income generating activities (MoEST, Financial Management Instructions for Educational Institutions, 2002).

All funds received and all expenditure by the institution should be completely and accurately recorded in the institution's records. The institution funds should be spent only for authorized purposes and management should procure goods and service using procedures that assure transparency and value of money. Assets should be safeguarded and only used for authorized purposes. The MoEST, Financial Management Instructions for Education Institutions (2002) also require that annual financial statements should be prepared, audited and presented to stakeholders. The financial statements should comprise the annual budget, statement of cash receipts and payments and balance sheet. The financial statements should be prepared on a cash basis.

2.13.1 Setting Expenditure Priorities and Preparing the Budget for Secondary Schools

2.13.1.1 Setting Expenditure Priorities:

To ensure good management practices the BOG should convene a meeting of stakeholders at least once every year to review, discuss and agree upon the institution's development and operational plan and how the planned activities shall be financed. The outcome of these meeting will be a prioritized list of both recurrent and development projects the institution intends to spend its resources over the succeeding year. The institution should work out a mechanism to ensure that major projects are approved by stakeholders before such projects commence (MoEST, Financial Management Instructions for Educational Institutions, 2002).

2.13.1.2 Preparation of Secondary Schools budget

The budget sets out estimated cash receipts from the variety of sources approved by appropriate officials and the estimated expenditure on activities based on expenditure priorities agreed upon by stakeholders and approved by appropriate officials. The annual budget should be used as an essential tool of financial control. It's the responsibility of the head of the secondary school with support from stakeholders to prepare the annual budget.

After the budget has been prepared it should be approved by the BOG and other stakeholders as appropriate during the Annual General Meeting, before it can be used. The budget for the preceding year is given alongside the projected budget for next year.

The transactions should be classified in accordance with the vote heads (MoEST, Financial Management Instructions for Educational Institutions, 2002). Refer to Table 2.13.1.2.1 Appendix 1 (page 73). The vote heads will depend on the number of activities and transactions in the secondary school.

2.13.2 Internal Control in Secondary Schools

For internal control purposes in secondary schools, the Financial Management Instructions for Educational Institutions (2002) have recommended that each secondary school should keep and maintain the following records: 1) fees register, 2) Parents register, 3) rent and service charge

register 4) Commitment register, 5) Telephone call register, 6) Contract register, 7) Text book register, 8) Text book management manual, 9) Imprest register, 10) Claims register, 11) Money orders register, 12) Stores register, 13) Fixed asset register, 14) Counter foil receipt register, 15) Audit file which should hold the audited trial balance and financial statements.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This section sets out the steps adopted in studying the research problem so as to satisfy the research objectives. The section consists of the study area, population, research design, data collection and data analysis.

3.2 STUDY AREA

The study was limited to Nairobi Area province due to financial constraints and the fact that both public national secondary schools and public provincial secondary schools were available in this province, unlike other provinces. Despite the fact that budgeting practices are issues that cut across all secondary schools in Kenya, it's not possible to carry out a national survey with limited resources. Nairobi being a small province it had public secondary schools drawn from all classes thus providing a diversified population relevant for comparative analysis.

3.3 RESEARCH DESIGN

The research design adopted for the purpose of this study was a survey of budgeting practices, factors considered when undertaking a budgetary exercise, and the perceived benefits of budgeting among public secondary schools within Nairobi province.

3.4 POPULATION

The target population consisted of public secondary schools within Nairobi province. Nairobi province which was the study area had a total of 50 public secondary schools. The Public secondary schools were classified into national secondary schools which were 5 in number and provincial secondary schools which were 45 in number (MoEST, Record of secondary schools in Nairobi, 2006). The study was limited to public secondary schools only and not other learning institutions. Private secondary schools were not included in the study because their fees charges and expenditure items are not regulated by the

MoEST, some private secondary schools offered international curriculum such as A-level, London GCE etc, while others were private companies with structures unrelated to the typical public secondary schools situation in Kenya and therefore obtaining data from them would have been more difficult. The study being a case of public secondary schools in Nairobi implied a census of all secondary schools operating within Nairobi province, and therefore no sample was drawn. All the provincial and national public secondary schools, as referred to in Appendix III on list of schools, were included in the study.

3.5 DATA COLLECTION

Primary data was used to achieve the objectives of this study. Data was collected from heads of public secondary schools who participated in the study by way of researcher administered questionnaire developed in line with the study objectives. The researcher administered questionnaires helped in ensuring consistency in the interpretation of questions, leading to answers that were consistent to the real situation on the ground. This was to help solve the problem of misinterpretation of questions that would have caused irrelevant and inconsistent answers.

The introductory letter, Authority to carry out research and the questionnaire were dropped to the secondary schools. Two heads of schools accepted to fill the questionnaires at the time of distribution, thirty wanted more time, while eighteen outrightly declined to participate. Follow up was done through telephone and personal visits to secure appointments with the head teachers so as to carry out the interviews. Efforts were made to ensure data was collected from a sample representative of the population. The heads of secondary schools who after a maximum of three attempts were unwilling to participate in the study were considered non response and reasons for their decline indicated. This was because the study having been a timed study was to be completed within a semester.

The questionnaire was made up of Part I and Part II. Part I contained questions on the general information about the school and its performance, while Part II contained questions on secondary school budgetary practices, factors considered when undertaking a budgetary process and perceived benefits of budgeting. (Refer to Appendix IV on the questionnaire)

A Five-Point Likert Scale was used to determine the practices mostly used in budgeting among public secondary schools operating in Nairobi. The Likert scale was used to determine the important budgeting practices mostly used in secondary schools, the value attached by the secondary schools on the various factors they considered when undertaking a budgetary exercise and the most important benefits that arose from the process. According to Mugenda et al (1999) the Likert Scale can be used to rate or rank the subjective and intangible components in research. The numerical scale helps to minimize the subjectivity and makes it possible to use quantitative analysis. The questionnaires were pre-tested on selected secondary schools (one from western province and another from Nairobi) and adjustments made before the study commenced.

3.6 DATA ANALYSIS

A database was prepared and data analyzed using SPSS computer package. Data on various aspects of budgeting, considered under the study, were analyzed and summarized in form of frequency and percentage tables, and the mean and standard deviation tables. Descriptive statistics such as frequency, percentage, mean, and standard deviation were used to facilitate meaningful description of measurements concerning the study objectives. To facilitate the establishment of the research objectives and description of the research findings, descriptive statistics tables that involved number of respondents in each element or factor were used. The minimum and maximum number picked on the Five Point Likert Scale, the mean of the respondents in terms of the Likert Scale points and the standard deviation from the mean were also used to achieve the same purpose. The mean helped in measuring the average response of the population and therefore indicated the average of the occurrences of all the Likert Scale Points. Standard deviation facilitated the determination of the degree of variability of responses from the mean response. According to Coopers et al (1995) descriptive statistics tables describe the parameters of the population better because they express the views and feeling of the respondents in greater details and hence give greater effect on the Likert Scale elements.

Part 1 of the questionnaire provided data on general information and financial performance of public secondary schools. The data was summarized in form of frequency

and percentage tables. Based on information obtained from frequency and percentage tables it was possible to describe the relationship between financial performance of secondary schools and secondary school sizes, the sources of income, fees charged per student per year and number of staff employed.

Questions 1 to 18 of part II of the questionnaire provided data that was used to establish the budgeting practices among secondary schools. Frequency and percentage tables, mean and standard deviation tables provided details of the element or factor described, the number of respondents in each element or factor and its percentage. This facilitated a description of the budgetary practices of public secondary schools to be made. Factors or elements that showed a high mean based on the Likert Scale Point were ranked top in terms of the general agreement by the respondents. The ranks of factors or elements were used to describe any differences in the budgetary practices of secondary schools in terms of types of budgets prepared, the most used budgeting approaches, the duration covered by the budgets, personnel involved in budgeting, reasons of budgeting, challenges associated with the budgeting process etc.

Question 19 of part II of the questionnaire provided data that was used to establish the factors considered by secondary schools while undertaking a budgetary process. The higher the frequency or percentage of a factor considered by secondary schools while undertaking a budgetary process was used to indicate the extent to which the factor is considered important in the budgetary process. Also the mean of the various factors considered by respondents when undertaking a budgetary exercise was used to rank these factors so as to give an indication of the general agreement by respondents on the most considered factors.

Questions 20 and 21 of part II of the questionnaire provided data that was used to establish the factors perceived by respondents as benefits of budgeting. Data on various perceived benefits of budgeting was analyzed and summarized in form of frequency and percentage tables, and the mean and standard deviation tables and any differences between means established. Methodologies suggested were used in analysis in the next chapter.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION

The survey was carried out during the month of September 2006, when schools had just opened for third term. The questionnaires were distributed between 1st and 9th September and feedback received from 11th to 26th of September 2006. Questionnaires were distributed to all the 50 public secondary schools. Some heads of schools accepted to fill the questionnaires at the time of distribution, others wanted more time, while others out rightly declined to participate. 18 secondary school heads declined to participate in the study and therefore were not presented with the questionnaires. The reasons given for the decline included among others being busy since they had just opened for third term, while in a few other cases it was not possible to meet with the heads of secondary school as they were either absent on official duty or held up in long meetings within the school. At the beginning of the term secondary schools are often very busy receiving students, sorting out fees payment problems among parents and addressing indiscipline problems that may have arisen during the previous term.

Out of the 32 secondary schools that originally accepted to participate in the study only 21 returned the questionnaires. This represents 42 % response rate of the initial target population of 50 public secondary schools. However if the 21 questionnaires received are expressed as a percentage of 32 secondary schools which had originally accepted to participate in the study, then the response rate was 65.6 %. The target of 32 respondents could not be achieved because the respondents were unwilling to complete the questionnaire or to be subjected to an interview and they kept on postponing the interview date until it became impossible to obtain data from them.

The 42% response rate is considered adequate and the secondary schools are representative of the secondary schools within Nairobi Area Province. According to the MoEST, records of secondary schools in Nairobi (2006), secondary schools whose heads declined to participate were public secondary schools regulated by the MoEST, their student population and fees charges per student per year fell within the same range as those of the participating schools. And

therefore the non-participating schools were not in any way unique from the participating secondary schools.

The respondents were mainly heads and hursars of secondary schools. Excel Packages was used to build the database and SPSS computer package used to analyse the data to produce descriptive statistics. Frequencies, means, standard deviations and percentages were used to draw conclusions on the findings.

4.2 GENERAL INFORMATION ABOUT SECONDARY SCHOOLS

This section considered general information about secondary schools such as availability of strategic plan and its duration, school population, valuation of assets, sources of income, fees charged, number of teaching and non teaching staff employed by the school, whether surplus or deficits are experienced in their operations and the factors that contribute towards the deficit.

4.2.1 Availability and length of strategic plan

The respondents were asked whether they had a strategic plan and how long the strategic plan runs. 90.5% of the secondary schools indicated that they did not have a documented strategic plan, while 9.5% had. Out of the 9.5 % secondary schools that had a strategic plan, 4.7 % had a strategic plan that covered 5 years, while 4.7 % had a strategic plan that was in perpetuity.

4.2.2 Students population and asset value of schools

In order to present a clear picture about the student population in secondary schools the schools were grouped into two categories i.e. National schools and Provincial schools. Table 4.2.2.1 bellow indicates that, national schools had a student population of between 500 and 1,100 students, while provincial secondary schools had a population of between 287 to 930 students. 38.1% of the secondary schools had a student population of between 287 to 499 students, while 61.9 % had a student population of over 500 students.

Table 4.2.2.1: Student population in National and Provincial Secondary schools

	Frequency	Percent
National		
500-999	1	4.76
1000-1100	2	9.52
Provincial		
287-499	8	38.10
500-699	7	33.33
700-899	2	9.52
900-930	1	4.76
Total	21	100

Source: Research data

The table 4.2.2.2 below indicates an increasing trend in the average number of students in secondary schools over the last 5 years. It's therefore necessary that facilities are put in place to cater for the expected increase in student population in secondary schools particularly when the effects of free Primary Education become fully evident.

Table 4.2.2.2: Number of students over the last 5 years

Year	N	Minimum	Maximum	Mean	Std Deviation
2005	9	325	966	538	209.83
2004	6	300	960	538	265.14
2003	5	340	750	464	166.19
2002	5	280	750	460	174.68
2001	5	295	750	445	187.07

Source: Research data

From table 4.2.2.3, below national schools were found to have large parcels of land ranging from 98 acres to 190 acres, compared to provincial schools that had relatively smaller parcels of

land that ranged from a mere 1.6 acres to 100 acres. 27.78 % of the provincial secondary schools had land size that ranged from 1.6 to 4 acres, 44.44 % between 4 and 8 acres and 27.78 % above 8 acres of land. Non-response by one National Secondary School concerning its size of land was due to unwillingness to disclose its size of land. Preferring to state that its assets had been classified into two categories, that is non current assets and current assets, and that asset value was reported based on this classification in the audited accounts for the year ending 2005.

Table 4.2.2.3: land size in acres

National	Frequency	Percent	Provincial	Frequency	Percent
98 acres	1	33.33	1.6-4 acres	5	27.78
190 acres	1	33.33	4.0-8 acres	8	44.44
No response	1	33.33	8-26 acres	4	22.22
Total	3	100	26-100 acres	1	5.56
			Total	18	100

Source: Research data

The respondents were asked to state the value of land, building and any other asset. As indicated in table 4.2.2.4 below, only 28.6% of the secondary schools had an estimate of their value of land and buildings, 71.4 % had no estimate of their value of land and buildings.

Table 4.2.2.4: Valuation of land and buildings

Response	Land and buildings	
	Frequency	Percent
Value unknown	15	71.4
Value known	6	28.6
Total	21	100

Source: Research data

From the research findings it was established that 20 % of the secondary schools had other assets, while 80 % did not have other assets. The other assets included school buses, school vans and swimming pools. Also it was not possible to obtain precise information concerning the value of land, buildings and other assets. Valuation of such assets was based on the respondents approximation given that, most schools do not prepare their balance sheets.

4.3: SOURCES OF INCOME AND FEES CHARGED PER STUDENT

Secondary schools had various sources of income that included fees, donations, school farm, government grants, CDF, rent, sponsorship and hire of school facilities.

Table 4.3.1: Sources of Income

Response	N	Frequency		Percent	
		Yes	No	Yes	No
Fees	21	21	0	100	0
Donations	21	8	13	38.1	61.9
School farm	21	2	19	9.5	90.5
Government grant	21	8	13	38.1	61.9
CDF	21	5	16	23.8	76.2
Rent	21	9	12	42.9	57.1
Sponsorships	21	1	20	4.8	95.2
Hiring school facilities	21	1	20	4.8	95.2

Source: Research data

From table 4.3.1, 100% of the respondents had fees as their major source of income, 42.9% received income in form of rent, 38.1% received income in form of donations and another 38.1% in form of government grants, while 23.7% received CDF to supplement their income. Only 4.8% received income in form of sponsorship.

It was established from the research data that, 40% of the respondents who received CDF money had a prior budget made for the CDF before allocation was made, while 60% received CDF money before making a budget for such funds.

Respondents were asked how much fees they charged per student per year. Table 4.3.2 indicates that national secondary schools charged each student a minimum of Kshs. 31,000 and a maximum of Kshs. 55,000 per year, provincial boarding secondary schools charged each student a minimum of Kshs. 23,100 and a maximum of Kshs. 35,000 per year, while provincial day

secondary schools charged each student a minimum of Kshs. 11,000 and a maximum of Kshs. 19,500 per year. The average fee per student per year for National school was Kshs. 42,500, provincial boarding secondary schools Kshs. 29,364 while that of provincial day secondary schools was Kshs. 16,648. These fees charges were higher than the amounts recommended by the MoEST, that is, National secondary schools Kshs. 28,600 per student per year, provincial boarding secondary schools Kshs. 23,400 per student per year and provincial day secondary schools Kshs. 11,000 per student per year (MoEST, circular number G9/1 VOL. III (47)(2002)

Table 4.3.2: Fees charged per student per year in Kshs

Respondent	N	Minimum	Maximum	Mean	Standard.
					Deviation
National	3	31,000	55,000	42,500	12,031.2
Provincial Boarding	5	23,100	35,000	29,364	5,332.7
Provincial day	18	11,000	19,500	16,648	2,325.1

Source: Research data

Table 4.3.2 above shows that there is a significant variation in the fees charged by national secondary schools. It is also apparent that the minimum fee charged by national schools is well above the amount recommended by the MoEST.

4.4 STAFF EMPLOYED BY SECONDARY SCHOOLS.

Table 4.4.1 indicates that, there were no teaching staffs employed by national secondary schools, while provincial secondary schools had an average of 4 teaching staffs employed by the school. However both National and Provincial secondary schools had non-teaching staff employed by the school.

Table 4.4.1 staff employed by the school

Response	National school		Provincial school	
	Mean	Std deviation	Mean	Std deviation
Teaching staff	0	0	4	7.9
Non teaching staff	65	16.17	16	8.39

Source: Research data

National Schools had an average of 65 non-teaching staff employed by the school while provincial schools had an average of 16 non-teaching staff employed by the school.

4.5 EXPECTED FEES COLLECTION, AMOUNT COLLECTED AND FEES ARREARS.

From table 4.5.1 only 19% of the respondents were willing to disclose their fees records for the years 2003 and below, 23.8% disclosed the records for the year 2004, while 28.6 % of the respondents disclosed the records for the year 2005.

Table 4.5.1: Expected fees collection, amount collected and fees arrears over the last five years

Year	years				
	2005	2004	2003	2002	2001
Average fees expected to be collected	10,155,958	10,000,460	7,829,375	8,070,313	7,698,125
Average total fees collected	9,545,983	9,442,030	6,525,187	6,847,897	6,159,683
Average total fees arrears	606,976	558,430	1,304,188	1,222,416	1,538,442
N	6	5	4	4	4

Source: Research data

During the years from 2003 and below, secondary schools had fees arrears amounting to over 1.2 million in one year. This trend was reversed from the year 2004. During the year 2004 average fees arrears was Kshs. 558, 430, while in 2005 it was Kshs. 609,975 per year. This indicates that during these years (2005 and 2004) either parents were more willing to pay fees than before or secondary schools adopted more stringent measures to ensure that there were few fees defaulters or both.

It's therefore evident that schools that had a large number of students, large parcels of land and more staff employed by the school were charging a high amount of fees. Despite the fact that they were charging higher fees than recommended by the MoEST, they still feel it is not adequate. The MoEST seem to be underestimating the effect of fees defaulters in their fees recommendations to schools. The size of the school in terms of student population did not have any effect on occurrence of deficit or a surplus in operations. Although not covered in this study, it would have been interesting to find out if schools budget for the deficits that have continued to occur in their budgets.

4.6 OCCURRENCES OF DEFICITS AND SURPLUS, AND FACTORS THAT CONTRIBUTE TOWARDS OCCURRENCE OF DEFICIT.

Respondents were asked whether they experienced surplus or deficit in their operations. From the research data obtained, 95.2 % of the respondents stated that they experienced a deficit, while 4.8% stated that they experienced both deficit and surplus. When asked about the factors that contribute towards deficit, it was observed from table 4.6.1 below that high cost of food and other materials was the highest contributor with a mean of 4.5 and standard deviation of 1.0, followed by increased number of fees defaulters with a mean of 4.3 and standard deviation of 1.1. Third was fees being inadequate with a mean of 4.2 and standard deviation of 1.4, fourth was expenditure on co-curriculum activities with a mean of 3.6 and standard deviation of 0.9 and fifth was other factors such as low sponsorship and high renovation costs both with a mean of 3.5 and standard deviation of 0.9. The least contributor was unsustainable scale of activities with a mean of 2.3 and standard deviation of 1.3.

Table 4.6.1: Factors contributing towards budget deficit

Contributing factor	N	Minimum	Maximum	Mean	Std. Deviation
High cost of food and other material	21	2	5	4.5	1.0
Expenditure on co-curriculum activities	21	2	5	3.6	0.9
Increased number of fee defaulters	21	1	5	4.3	1.1
Unsuitable scale of activities	21	1	5	2.3	1.3
Fees charged being inadequate	21	1	5	4.2	1.4

Source: Research data

Only 9.5% indicated that their deficit was caused by other factors such as low sponsorship and high renovation cost. Non availability of a strategic plan seemed to contribute towards occurrence of deficits, because 90.5 % of the secondary schools had no strategic plans, while at the same time 100% of them experienced a deficit or both deficit and surplus.

4.7: IMPORTANCE OF BUDGETING AND INITIAL PREPARATION BEFORE UNDERTAKING THE BUDGET PROCESS.

Respondents were asked to state whether budgeting was important to the success of the secondary school. The analysis indicated that 47.6 % of respondents considered budgeting as

being essential for the success of the secondary school, 38.1% considered budgeting to be very important, while 14.3% considered budgeting to be important to the success of the secondary school. None of the respondents stated that budgeting had limited importance or it was not important at all to the success of the secondary school.

When respondents were asked whether they undertook initial preparation and analysis before undertaking the budget process, 85.7% stated that initial preparation and analysis was done while 14.3% stated that no initial preparation and analysis was done. The initial preparation and analysis done before budgeting and the frequency of responses were summarized in table 4.7.1 Appendix 1 (74). From table 4.7.1 it follows that most schools considered prices of goods and services and activities to be carried out in the next financial year before undertaking the budget process.

4.8 TYPES OF BUDGETS PREPARED, DURATION OF THE INCOME AND EXPENDITURE BUDGET AND THE LONG TERM ASSET ACQUISITION BUDGET.

From table 4.8.1, 100% percent of the respondents stated that they prepared an income and expenditure budget. 23.8 % prepared a fixed asset acquisition budget, while only 14.3 % prepared a cash budget.

Table 4.8.1: Types of budgets prepared.

Responses	N	Frequency		Percent	
		Yes	No	Yes	No
cash budget	21	3	18	14.3	85.7
fixed assets budget	21	5	16	23.8	76.2
income and expenditure budget	21	21	0	100	0

Source: Research data

When respondents were asked about the duration covered by the income and expenditure budget, 90.5 % stated that their income and expenditure budget covers a duration of one year, 4.8 % indicated that it covers one term, while another 4.8 % indicated that it covers one month. These responses are shown in table 4.8.2 below.

Table 4.8.2: Duration covered by the income and expenditure budget

Response	Frequency	Percent
Monthly	1	4.76
Termly	1	4.76
Yearly	19	90.48
Total	21	100

Source: Research data

Table 4.8.3 below, shows the frequency and percentage of responses concerning the duration covered by the long-term asset acquisition budget.

Table 4.8.3: Duration of long-term asset acquisition budget

Response	Frequency	Percent
Yearly	2	9.52
Every 3-5 years	6	28.57
Never prepared	13	61.90
Total	21	100

Source: Research data

Table 4.8.3 indicates that 61.9 percent of the respondents did not prepare a long-term asset acquisition budget, while 28.6 percent prepared a long-term asset acquisition budget that covered between 3 to 5 years. The remaining 9.5 percent prepared a long-term asset acquisition budget that covered one year.

4.9. PERSONNEL INVOLVEMENT IN BUDGETING AND THE TOOLS MOSTLY USED DURING THE BUDGETING PROCESS.

The respondents were asked who were involved in budget preparation and the tools mostly used during the budgeting process in their secondary schools. As indicated by table 4.9.1 Appendix 1 (page 75), the bursars were mostly involved in budget preparation, with a mean of 4.86 and standard deviation of 0.48. The second and third most involved personnel were the principals with a mean of 4.81 (standard deviation 0.51) and BOG members with a mean of 4.14 (standard deviation 1.39) respectively. Fourth, fifth, sixth up to tenth were HOD (mean 3.76 and standard deviation 1.22), deputy principals (mean 3.19 and standard deviation 1.12), parents (mean 3 and

standard deviation 1.45), senior masters (mean 2 and standard deviation 1.56), consultants (mean 1.76 and standard deviation 1.22), all the members of staff (mean 1.67 and standard deviation 1.15) and lastly students (mean 1.33 and standard deviation 0.73) respectively.

Table 4.9.2 below indicates the tools used during the budgeting process and their respective means and standard deviation. The budget committee is the mostly used tool with a mean of 3.71 and standard deviation of 1.74, secondly is interdepartmental discussion groups with a mean of 3.43 and standard deviation of 1.63. Thirdly, suggestion systems with a mean of 2.05 (standard deviation 1.43), followed by budget manual with a mean of 1.95 (standard deviation of 1.40). Brainstorming is the least used tool with a mean of 1.62 (standard deviation 1.07).

Table 4.9.2: Tools used during the budgeting process

Response	N	Min	Max	Mean	Std. Deviation
Budget committee	21	1	5	3.71	1.74
Interdepartmental discussion groups	21	1	5	3.43	1.63
Suggestion systems	21	1	5	2.05	1.43
Budget manual	21	1	5	1.95	1.40
Brainstorming	21	1	4	1.62	1.07
BOG meetings	1	5	5	5	.

Source: Research data

Only one (4.76 %) of the respondents stated that they used BOG meetings as a tool during the budgeting process.

4.10 EDUCATING EMPLOYEES, ITS IMPORTANCE AND METHOD USED TO EDUCATE STAFF ABOUT THE BUDGETING PROCESS.

Respondents were asked whether employees had been educated about the budgeting process, why it was important to educate staff about the budgeting process, and the approaches applied in budgeting education programmes. As indicated by research data 61.90% of the respondents did not educate staff about the budgeting process, while 38.10% did educate staff.

Concerning the importance of educating staff about the budgeting process, table 4.10.1 shows that both the need to be transparent about the school budget and making employees accountable ranked first with a mean of 4 and standard deviation of 1.41. Second was the need to obtain acceptance and support with a mean of 3.75 and standard deviation of 1.39 followed by facilitation of smooth budgeting process with a mean of 3.63 and standard deviation of 1.06. Second last in importance was to enable staff understand accounts with a mean of 2.25 and standard deviation of 1.16, while last in importance was to enable employees be promoted with a mean of 1.25 and standard deviation of 0.46.

Table 4.10.1: Importance of educating staff about the budgeting process

Response	N	Min	Max	Mean	Std. Deviation
To obtain acceptance and support	8	1	5	3.75	1.39
To be transparent about the school budget	8	1	5	4	1.41
To make employees accountable	8	1	5	4	1.41
To facilitate smooth budgeting process	8	2	5	3.63	1.06
To understand accounts	8	1	4	2.25	1.16
To be able to be promoted	8	1	2	1.25	0.46

Source: Research data

From table 4.10.2 below, the method most used to educate staff about the budgeting process is discussions with a mean of 4 and standard deviation of 1.31, while the second most used methods are seminars and senior staff development programmes, both with a mean of 2.75 and standard deviation of 1.58. Next is formal training with a mean of 2.63 and standard deviation of 1.77, followed with written budget manuals with a mean of 2.38 and standard deviation of 1.41 and lastly are conferences with a mean of 1.88 and standard deviation of 1.13.

Table 4.10.2: Method used to educate employees about the budgeting process.

Response	N	Min	Max	Mean	Std. Deviation
Seminars	8	1	5	2.75	1.58
Conferences	8	1	4	1.88	1.13
Discussions	8	1	5	4	1.31
Senior staff development	8	1	5	2.75	1.58
Written budget manuals	8	1	5	2.38	1.41
Formal training	8	1	5	2.63	1.77

Source: Research data

4.11 TRAINING AND DURATION OF TRAINING BY PRINCIPALS IN FINANCIAL MANAGEMENT

The respondents were asked whether the principals had undertaken any training in financial management since they became deputy principals. The research data obtained indicated that an overwhelming 90.5 percent of the principals had undertaken training in financial management while 9.5% had not undertaken any training.

Table 4.11.1 is a summary of the duration of training in financial management and the related frequency and percentage of respondents. It shows that 71.5 percent of the principals had undertaken training in financial management that covered a period of 1 day to 2 weeks. Training whose duration covered 2 weeks to 1 month and 1 month to two years had both been undertaken by 9.5% of the principals respectively. 9.5% of the principals had not undertaken any training in financial management since they became deputy principals.

Table 4.11.1: Duration of training in financial management

Duration of training	Frequency	Percent
1 day -2 weeks	15	71.5
2 weeks -1 month	2	9.5
1 month - 2 years	2	9.5
No training	2	9.5
	21	100

Source: Research data

4.12 BUDGETING APPROACHES AND HOW BUDGETING AFFECTS FINANCIAL PERFORMANCE.

The respondents were asked to state the approaches used in the preparation of the budget, and how the budget affected financial performance of their secondary schools. As indicated in table 4.12.1 the approach most used was activity based budgeting with a mean of 4.29 and standard deviation of 1.06, followed by incremental budgeting approach with a mean of 3.67 and standard deviation of 1.56. The budgeting approach least used was zero based budgeting with a mean of 3 and standard deviation of 1.76.

Table 4.12.1: Budgeting approaches mostly used

Budgeting approach	N	Min	Max	Mean	Std. Deviation
Justification of all costs as if programmes are being initiated for the first time	21	1	5	3	1.76
Addition of some percent on previous year's budget figures	21	1	5	3.67	1.56
Considering the cost of activities necessary to achieve desired level of operation	21	1	5	4.29	1.06

Source: Research data

Concerning the effect of budgeting on financial performance, analysis indicated that the budget greatly affected financial performance with a mean of 4.05 and standard deviation of 1.32.

4.13 EXPENDITURE INCURRED SINCE INTRODUCTION OF FREE PRIMARY EDUCATION, ESTABLISHMENT AND INITIATION OF BUDGET TARGETS.

Table 4.13.1 indicates that since initiation of free primary education 61.9 percent of the secondary schools had built classrooms and dormitories, while 38.1% had not done so. 52.4% had incurred expenditure on permanent assets, while 47.6 had not. Also 42.9% had put in place special provisions for future investments, while 57.1% had not set up such provisions to cater for future investment.

Table 4.13.1: Type of expenditure incurred since introduction of free primary education.

Type of expenditure	N	Frequency		Percent	
		Yes	no	yes	no
Building of classrooms	21	13	8	61.9	38.1
Acquisition of permanent assets	21	11	10	52.4	47.6
Special provisions for future investment	21	9	12	42.9	57.1

Source: Research data

The respondents were also asked whether they had established standards or targets of expenditure against which actual expenditure could be compared with. From the analysis, it could be seen that 90.48% of the respondents had such standards or targets established while 9.52 % did not have such standards or targets.

Concerning who initiates the standards table 4.13.2 below shows that majority of the standards or targets were initiated by the principal 85.7%, followed by the bursars 52.4% and then HoDs 47.6%. The fourth and fifth persons involved in initiation of targets were the PTA 9.5% and government 4.8% respectively. All employees were not involved in the initiation of budget targets.

Table 4.13.2: Personnel involved in the initiation of budgets targets.

Budget target Initiated by	N	Frequency		Percent	
		Yes	no	yes	no
Principal	21	18	3	85.7	14.3
Bursar	21	11	10	52.4	47.6
HODs	21	10	11	47.6	52.4
All employees	21	0	21	0	100
Government	21	1	20	4.8	95.2
PTA	21	2	19	9.5	90.5

Source: Research data

4.14 NEGOTIATION OF BUDGETS

On whether school budgets were negotiated between higher management personnel and departmental heads, analysis showed that, 76.19% of the respondents had their budgets negotiated between higher management and departmental heads, while 23.81% stated that their budgets were never negotiated.

4.15 METHODS USED TO COMMUNICATE AND INFORMATION COMMUNICATED TO EMPLOYEES DURING BUDGETING PROCESS.

The respondents were asked to state the method used to communicate and information communicated to employees about the budgeting process. As indicated in table 4.15.1 below principals were mostly used to communicate to employees about the budgeting process with a mean of 4.32 and standard deviation of 1.34. Secondly brief meetings were used with a mean of 4.21 and standard deviation of 1.23, thirdly face to face communication with supervisors was used with a mean of 3.53 and standard deviation of 1.65, while in the fourth position is senior management with a mean of 3.21 and standard deviation of 1.55. The least used method is memos, which had a mean of 1.32 and standard deviation of 0.82.

Table 4.15.1: Method of communication to employees about budgeting process

Method of communication	N	Minimum	Maximum	Mean	Std. Deviation
Face to face communication with supervisors	19	1	5	3.53	1.65
Senior management	19	1	5	3.21	1.55
Principal	19	1	5	4.32	1.34
Briefing meetings	19	1	5	4.21	1.23
Memos	19	1	4	1.32	0.82
Non response	2				

Source: Research data

The non-response was obtained from respondents who did not communicate to employees about the budgeting process. This implies that 9.5% of the respondents did not communicate to employees about the budgeting process.

Concerning information communicated to employees, table 4.15.2 indicates that, targets to be achieved during the year were the most communicated information with a response of 100 %. The second most communicated information was variance between actual and budgeted performance with 73.68%, followed by strategic plan details to be implemented with 63.16%. Budgeting guidelines constitutes the second least communicated information and it's communicated by only 47.37 % of the respondents. The least communicated information was environmental expectations, which was not communicated by 68.42% of the respondents.

Table 4.15.2: Information communicated to employees during budgeting process

	Frequency		Percent	
	Yes	No	Yes	No
Targets to be achieved during the period	19	0	100.00	0.00
Environmental expectations	6	13	31.58	68.42
Strategic plan details to be implemented	12	7	63.16	36.84
Variance between actual and budgeted performance	14	5	73.68	26.32
Budgeting guidelines	9	10	47.37	52.63

Source: Research data

4.16 FACTORS CONSIDERED WHEN UNDERTAKING A BUDGETARY PROCESS

Respondents were asked to state the factors they considered during the preparation of the budget. As indicated in table 4.16.1 below the number of students with a mean of 4.86 and standard deviation of 0.48 was most considered, secondly top management support with a mean of 4.14 and standard deviation of 1.20. Third, were clear and realistic goals with a mean of 4.05 and standard deviation of 1.24, followed by influence of external environment on availability of resources with a mean of 3.90 and standard deviation of 1.14, followed by strategic plan for the school with a mean of 3.81 and standard deviation 1.33. The second least considered factor was

motivation of employees with a mean of 2.90 and standard deviation of 1.41, while the least considered factor was participation by all employees with a mean of 2.00 and standard deviation of 1.30.

Table 4.16.1: Factors considered when undertaking a budgetary process

Factors considered	N	Minimum	Maximum	Mean	Std. Deviation
Frequent feedback on performance	21	1	5	3.71	1.38
Top management support	21	1	5	4.14	1.20
Flexibility of the budget	21	1	5	2.95	1.63
HODs support	21	1	5	3.38	1.72
All employee participation	21	1	5	2.00	1.30
Clear and realistic goals	21	1	5	4.05	1.24
Influence of external environment on availability of resources	21	1	5	3.90	1.14
Motivation of employee	21	1	5	2.90	1.41
Communication of policies to employees	21	1	5	3.24	1.34
Number of students	21	3	5	4.86	0.48
Strategic plan for the school	21	1	5	3.81	1.33
Other sources of income	1	5	5	5.00	

Source: Research data

4.17 NECESSITY AND PERCEIVED BENEFITS OF BUDGETING

The respondents were asked to state whether they perceived budgeting process to be necessary and their perceived benefits of the budgeting process. As indicated by the analysis, respondents stated that the budgeting process was necessary with a mean of 4.71 and standard deviation of 0.90. Concerning the perceived benefits of the budgeting process, table 4.17.1 indicates that the most perceived benefit was cost control with a mean of 4.76 and standard deviation 0.70, while the second and third most perceived benefit was coordination of operations with a mean of 4.67 and standard deviation of 0.58 and effective and efficient resource allocation with a mean of 4.52 and standard deviation of 0.93 respectively. The second last perceived benefit was communication among staff regarding expectations with a mean of 3.24 and standard deviation

followed with participation of all individuals involved with a mean of 3.05 and standard deviation of 1.28. The second last challenge was conflict among managers with a mean of 1.98 and standard deviation of 0.92, while the least challenge was setting of unrealistic targets by managers for personal gain with a mean of 1.76 and standard deviation of 1.

Table 4.18.1: Challenges associated with budgeting process

Challenges	N	Minimum	Maximum	Mean	Std. Deviation
Lack of top management support and involvement	21	1	5	2.19	1.50
Lack of education for individuals involved	21	1	5	3.29	1.38
Participation of all individuals	21	1	5	3.05	1.28
Budget implementation	21	1	5	3.38	1.43
Lack of understanding of the external environment	21	1	5	3.29	1.74
Setting unrealistic targets by managers for personal gains	21	1	4	1.76	1.00
Budget complexity	21	1	5	2.95	1.28
Conflicts among managers	21	1	4	1.95	0.92
Non-communication to employees during budgeting	21	1	5	2.19	1.25
Cost escalation beyond anticipation	21	1	5	4.05	1.16

Source: Research data

The major findings emanating from data analysis in this chapter have been highlighted and discussed in the next chapter together with the conclusion, policy recommendations and recommendations for further research.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The objectives of the study were to establish the budgeting practices among public secondary schools in Kenya, the perceived benefits of budgeting by public secondary school managers and the factors that secondary schools considered when undertaking a budgeting process. To achieve these study objectives, primary data was collected using questionnaires from 21 public secondary schools within Nairobi area province. No secondary data was used in the survey. The primary data was analyzed using frequency tables, means, standard deviation and percentages and conclusions drawn based on these descriptive statistics.

The research methodology was described in chapter three, and data analysis and research findings presented in chapter four. The following conclusions were drawn in the light of the objectives of the study.

5.1.1 Financial position, performance and contributory factors

In order to enhance their financial position and improve financial performance only 9.5% of the secondary schools had developed strategic plans that covered duration of more than 5 years. This finding indicated that majority of public secondary schools did not have their efforts directed towards achievement of specific long term plans, so as to meet the ever increasing demand in secondary education. The increasing trend in demand for secondary education was evidenced by increase in population of students over the last five years.

At the time when the study was conducted, national secondary schools in Nairobi had a student population of between 500 and 1100, while provincial secondary schools had a student population of between 287 and 930 students. It's therefore necessary that more facilities be put in place to cater for the expected increase in students' population in secondary schools, particularly when the effects of free primary education become fully evident.

National secondary schools had large parcels of land that range from 98 acres to 190 acres, while provincial secondary schools generally had small parcels of land, with majority (72.22%) having between 1.6 acres and 8 acres. Although only 28.6% of the schools had a known estimate of their value of land and buildings, the remaining 71.4% had no knowledge of their average value of land. Secondary schools also had other assets such as school buses, vans and swimming pools. Other assets were owned by schools that had a large student population. It's therefore evident that small schools with less than 500 students may not be capable of saving enough funds for investment in other value adding projects such as transport.

The major source of income for secondary schools was established to be fees collected from students. Rent was found to be a source of income to just 38.1% of the schools. Hiring of school facilities, as a source of income, had not been embraced by most schools. Only 4.8% of the schools enjoyed that type of income. Despite the fact that some schools had large tracks of land, the school farms contributed income for only 9.5% of the schools. This implies that most schools do not pay significant attention on income generating activities.

National secondary schools charged higher fees per student (average of Kshs 42,500 per student per year) compared to provincial boarding and provincial day secondary schools that charged an average of Kshs 29,364 and Kshs 16,648 per student per year respectively. It's therefore evident that fees charged by secondary schools vary significantly from that recommended by the MoEST. There is a significant difference in what the MoEST recommends national secondary schools to charge per student per year (i.e. Kshs 28,600), and what they actually charge (i.e. an average of Kshs 42,500). It was also established that all national secondary schools had all their teaching staff employed and paid by the government, but they had a large number of non-teaching staff (i.e. average of 65) employed and paid for by the schools. This was in contrast with provincial secondary schools that had an average of 4 teaching staff and an average of 16 non-teaching staff employed and paid by the schools. The large number of non-teaching staff may be as a result of the large tracks of land owned by national schools that require many employees to manage. And these may also be the reason as to why their fees charges were found to be higher than provincial schools.

It was noted that fees arrears in secondary schools had significantly reduced compared to the situation before the year 2004. However 95.24% of secondary schools continued to encounter budget deficits in their operations, with only one school encountering both deficit and surplus. The major contributors towards budget deficit had been high cost of foodstuffs, followed by fees defaulting. It was evident that most schools had not undertaken activities whose scale was unsustainable.

5.1.2 Importance and necessity of Budgeting, and pre-budget analysis

A majority of the respondents, 100% stated that budgeting was essential and therefore necessary for the success of the secondary schools. Also 87.8% stated that they undertook initial preparation and analysis before undertaking the budgeting process. The initial preparation and analysis that was undertaken before undertaking the budgeting process included checking the prices of goods and services with suppliers, review of activities to be carried out in the next financial year, comparison of past expenditure versus future expected expenditure, holding departmental meetings to obtain suggestions from members of staff and consideration of student population. These findings are in agreement with the MoEST, Financial Management instructions for education institutions (2002) recommendation, that to ensure good management practice, meetings by internal stakeholders should be convened to discuss and agree upon the institutions operations and how the planned activities shall be financed. The outcome of these meetings should be prioritized list of both recurrent and development projects the institution needs to spend its resources over the succeeding year. However this study was not able to establish whether the internal stakeholders actually participated during these meetings. There is a possibility that, heads of secondary schools may involve lower level staff in the budgeting process as a matter of public relation and not actual participation in the exercise.

Budgeting practices and types of budgets prepared

Budget committees and interdepartmental discussion groups were the most used budgeting tools with emphasis being placed on brainstorming. This finding is in agreement with Carter et al who assert that budget committees consist of HODs and executives thereby enabling the organization to be represented in the budgeting process. These enable

National secondary schools had large parcels of land that range from 98 acres to 190 acres, while provincial secondary schools generally had small parcels of land, with majority (72.22%) having between 1.6 acres and 8 acres. Although only 28.6% of the schools had a known estimate of their value of land and buildings, the remaining 71.4% had no knowledge of their average value of land. Secondary schools also had other assets such as school buses, vans and swimming pools. Other assets were owned by schools that had a large student population. It's therefore evident that small schools with less than 500 students may not be capable of saving enough funds for investment in other value adding projects such as transport.

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5.1.3 Budgeting practices and types of budgets prepared

Budget committees and interdepartmental discussion groups were the most used budgeting tools with less emphasis being placed on brainstorming. This finding is in agreement with Carter et al (1994). They assert that budget committees consist of HODs and executives thereby enabling every part of the organization to be represented in the budgeting process. These enable

coordination of budget preparation, and provision of information to assist in budget preparation, comparison of actual results with budgets and investigation of variances.

It was established that 61.9% of respondents did not educate staff about the budgeting process. 38.1% who educated staff about the budgeting process stated that its importance was for transparency about the school budget, to make employees accountable, obtain acceptance and support and to facilitate smooth budgeting process. This finding is in agreement with Louise (2006) who asserts that educating employees about the budgeting process provides an effective means of resolving interdepartmental conflicts, which may arise during the budgeting process. Seminars and staff development programmes were found to be the major approaches used in budgeting education programmes. However, 78.9% of the training programmes took a duration of between 1 day and 2 weeks.

The research findings indicated that, 85.7% of the budget targets were initiated by the principal, the bursar 52.4% and HODs 47.6%. This finding suggests that a top to down budgeting approach was in use. This approach is in agreement with Drury (2004), who asserts that it's necessary that attempts are made to impose targets in the hope that autocratic approach will produce desired results. The autocratic approach would be most desirable in situations where superiors are more knowledgeable, tasks are similar, and there is greater certainty in the external environment.

However 76.19 % of the respondents stated that budgets are negotiated between higher management and departmental heads before they are implemented. Drury (2004) asserts that, budgets should be negotiated at each stage so that the figures included are as a result of bargaining process because subordinates will not be motivated to achieve a budget that they did not accept. This may not be an issue in budgeting for schools as school budgets are mainly used as expenditure authorization devices. Also since the school budget targets achievement is not tied to rewards, budgets have no direct relation to motivation given that they are not tied to output.

It was established that 100% of the secondary schools prepare an income and expenditure budget whose duration covers one year, 90.48% of the times. The cash budget and long-term asset acquisition budgets were least prepared. The long-term asset acquisition budget prepared covers mainly 3-5 years. Despite the fact that most schools don't prepare long-term asset acquisition

budgets, 61.9% of the secondary schools accepted that they had incurred expenditure on building of classroom, since free primary education had been established. This indicates that most of that expenditure had been undertaken without prior budget. It was established that only 14.3 % of the schools prepare the cash budget, the big question is how such schools will be able to synchronize their cash transactions. It's not surprising that nearly all the schools reported deficit in their operations.

5.1.4 Involvement and communication by employees during budgeting process

School hursars were the most involved personnel in the preparation of the budgets, followed by the principals. The least involved are the students and all the staff members. This tends to agree with the initial finding that the budgeting approach used is top to bottom type of approach, where targets are imposed on subordinates. Also, the principals were found to be the most commonly used medium of communication to employees about budgeting process. Targets to be achieved during the year were the most communicated information about the budgeting process with a response rate of 100%, followed by variances between actual and budgeted performance.

5.1.5 Perceived benefits of budgeting

Most secondary schools stated that the most perceived benefit of budgeting were cost control, effective and efficient cost allocation, co-ordination of operations, planning annual operations and communication with parents. These findings are in agreement with Welsh et al (2000), who have asserted that budgeting facilitates effective communication, dynamic control, continuous feedback and is an important tool for management of resources in organizations.

5.1.6 Budgeting approaches and effect of budgeting on financial performance

The budgeting approach most used in secondary schools was activity based budgeting and incremental budgeting approach. These findings are in agreement with Drury (2004), who asserts that activity based budgeting aims at managing costs effectively by authorizing the supply of only those resources that are needed to perform activities required to meet the budgeted production. However he states that incremental budgeting may result in past inefficiencies and

waste inherent in the current way of doing things being perpetuated from year to year. From the finding of the study, respondents stated that the budget greatly affected financial performance of their schools.

5.1.7 Factors considered when undertaking a budgetary process

When preparing the budget, it was established that secondary schools considered mostly the number of students. Other factors considered were top management support, clear and realistic goals, influence of external environment on availability of resources and the strategic plan of the school. These findings are in agreement with Hansen et al (1998), who have indicated that setting of realistic standards and frequent feedback are key features of a sound budgetary system.

Failure to consider motivation of employees and participation by all staff in the budgeting process contradicts with theory as indicated by Carter et al (1997). They stated that budgets motivate employees through participation in the setting of budget targets, and hence improve allocation of resources. The possible consequences of not tying budget targets achievement to rewards include lack of a sense of responsibility, perception that budgets are pressure devices and budget padding among the employees. The policy formulators should therefore see to it that all the internal stakeholders in secondary schools are educated on the budgeting process.

5.1.8 Challenges of Budgeting

The greatest challenges faced by secondary schools when undertaking the budget process were cost escalation beyond anticipation, budget implementation and lack of education for individuals involved. This is in agreement with the previous finding that 61.90% of secondary schools did not educate staff about the budgeting process.

5.2 CONCLUSION

The Findings from this study indicate that secondary schools within Nairobi prepared budgets and use budgets to implement their operational activities. Budgets are perceived as important instruments towards achievement of efficient financial management in schools. Budgets were mostly used to implement short-term operational plans with majority of the long-term plans

being implemented without prior budgets. This was indicated by the fact that majority of schools had incurred expenditure on long term investment projects such as building of classrooms and dormitories, yet only 23.8% prepared long term asset acquisition budgets. It was established that 61.9% of respondents did not educate staff about the budgeting process and budget targets were initiated mainly by the principal, the bursar and HODs. This finding suggests that a top to down budgeting approach. The cash budget and long-term asset acquisition budgets were least prepared.

Secondary schools perceive the budget to be of great benefit in controlling costs, planning annual operations and for effective and efficient resources allocation. Respondents in this study perceived that budgeting contributes little towards motivation of staff and therefore all staff participation in the budgeting process is least considered.

When undertaking the budget process the number of students is greatly considered. The number of students provides a clear indication of the amount of revenue likely to be generated and likely expenditure. Revenue expectation limits the level of operation of the school. The major challenge to the budget process is escalation of cost beyond anticipation, budget implementation problems and lack of education for individuals involved in the budgeting process.

5.3 LIMITATIONS OF THE STUDY

The study was limited by the period of the term when data was collected. It was observed that at the beginning of the term secondary school heads, deputy heads and bursars are quite busy with school management matters. This made it difficult to collect data from most schools. Money and time were also limiting factors in that these limited the frequency of visits to the secondary schools with an aim of trying to persuade the heads of schools to fill the questionnaires. It would also have been possible to allow them enough time out of their busy schedules to fill in the questionnaires. The fact that 29 questionnaires were not received back, their inclusion in data analysis could have resulted in more precise conclusion. However, given that the non participating schools were not in any way unique from the participating secondary schools, the above study conclusions can be said to be quite representative of the population. Also it was not possible to obtain precise information concerning the value of land, buildings and other assets.

Valuation of such assets was based on the respondents' approximation given that, most schools do not prepare their balance sheets.

5.4 POLICY RECOMMENDATIONS

1. Based on the research findings that most schools do not prepare long-term asset acquisition budgets, it's worth recommending that policies be put in place that will ensure that secondary schools do not incur long-term expenditure without prior preparation of long-term budgets.
2. From this study it has been observed that deputy principals are least involved in the budgeting process. Policy measures should be put in place to ensure that deputy principals are involved in the budgeting process, as away of grooming them to take up top management position in case of a casual vacancy in the top position.
3. Considering that most schools do not prepare cash budgets, a policy should be instituted to ensure that cash budgets are prepared by secondary schools. Cash budgets can help schools to minimize huge surpluses of cash, by enabling management to invest surplus cash in short term investments and at the same time identify cash deficits well in advance.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

Budgeting is important for effective and efficient financial management of secondary schools. It's therefore suggested that further research be carried out to establish other factors that may have an influence on financial performance of secondary schools other than budgeting practices. Such factors would include level of education in financial management among those charged with management of school resources, participation in financial matters by other staff members, and utilization of school resources such as school farm for revenue generation.

The fact that schools heavily depend on fees collected from students suggests that research needs to be done to identify other revenue generation activities that may be utilized to supplement the fees. This will help shift the heavy burden of fees payment from parents who may not afford secondary education, despite their children having qualified for admission in expensive schools such as national schools. Other probable research areas are a study to establish apparent usage of

Activity Based Budgeting in secondary schools and the extent of involvement by internal stakeholders in secondary school budgeting process.

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APPENDICES

Appendix I: TABLES

Table 2.11.2.1: Fees Structure

Vote Heads	National schools	Other schools	Day schools
Tuition (SES)	3,600	3,600	3,600
Boarding (BFS)	10,000	9,000	-
Repairs (RMI)	1,500	1,000	400
Local Transport and Traveling (I.T & T)			
Electricity water & conservancy (FWC)	1,500	1,000	400
Contingencies			
Medical	1,200	1,000	500
Activity	800	700	400
Emoluments (PE)	500	400	200
	1,000	900	900
	6,000	3,500	2,000
Subtotal	26,100	20,900	8,500
OTHER CHARGES			
Caution Money (New students only)	500	500	500
District Education board (DEB) Approved Development Projects	2,000	2,000	2,000
Grand total	28,600	23,400	11,000

Source: MoEST Circular number G9/1 Vol III (47) (2002).

Table 2.13.1.2.1: List of vote heads used in secondary schools

Income/receipts	Expenditure
<ul style="list-style-type: none"> • Grants from Ministry. • Tuition fees. • Rent. • Examination fees. • PTA/Development fees. • Text book fund. • Activity/sports fees. • Grants/donations/parents. Contribution. • Caution. • Others. 	<ul style="list-style-type: none"> • Personal emoluments. • Tuition and boarding. • Local transport and traveling (LT&T). • Repairs, maintenance and improvement (RMI). • Examination. • Electricity water and conservancy (LWC). • Activity / sports. • Others. <p>Non recurrent expenditure</p> <ul style="list-style-type: none"> • Building. • Permanent equipment. • Special provision.

Source: MoEST, Financial Management instructions for educational institutions (2002).

Table 4.7.1 Initial preparation and analysis done before undertaking the budget process

Preparation done	Frequency
Holding departmental meetings to obtain suggestions	3
checking of prices	6
Consideration of areas that incurred over expenditure	1
Consideration of expected inflation	1
Review of activities to be carried out	6
Consideration of amount of recurrent expenditure	1
Comparison of past expenditure vs estimated future expenditure	4
Consideration of outstanding projects	1
Consideration of willingness to pay	1
Students population	2
Consideration of projected income and expenditure	2
No response	3

Source: Research data

Table 4.9.1: Extent of involvement in the preparation of the budget

Response	N	Min	Max	Mean	Std. Deviation
principal	21	3	5	4.81	0.51
deputy principal	21	1	5	3.19	1.12
senior master	20	1	5	2	1.56
BOG	21	1	5	4.14	1.39
HODs	21	1	5	3.76	1.22
all the staff members	21	1	4	1.67	1.15
parents	21	1	5	3	1.45
students	21	1	3	1.33	0.73
bursar	21	3	5	4.86	0.48
consultants	21	1	5	1.76	1.22

Source: Research data

Appendix II: LIST OF ABBREVIATIONS

MoEST	Ministry of Education Science and Technology
BOG	Board of Governors
HOD	Head of Department
TSC	Teachers Service Commission
PTA	Parents Teachers Association
SMC	School Management Committee
ZBB	Zero Based Budgeting
ABB	Activity Based Budgeting
KSSHA	Kenya Secondary Schools Heads Association
PS	Permanent Secretary
DEB	District Education Board
KICC	Kenyatta International Conference Center
CDF	Constituency Development Fund

Appendix III: LIST OF SECONDARY SCHOOLS IN NAIROBI AREA PROVINCE

A. National Public Secondary Schools

1. Moi Forces Academy
2. Nairobi School
3. Starehe Boys Center and School
4. Kenya High School
5. Lenana Boys High School

B. Provincial Public Secondary Schools

1. Aquinas High School
2. Dagoreti High School
3. Jamuhuri High School
4. Eastleigh Secondary School
5. Highway Secondary School
6. Parkland Boys Secondary School
7. Pumwani Secondary School
8. St. Teresa's Secondary School
9. Upper Hill Secondary School
10. Parklands Arya Girls High School
11. Huruma Girls Secondary School
12. Muslim Girls Secondary School
13. Moi Nairobi Girls Secondary School
14. Ngara Girls Secondary School
15. Our Lady of Mercy Secondary School
16. Pangani Girls High School
17. Precious Blood, Riruta Secondary School
18. St. Teresa's Girls Secondary School
19. St. Teresa's Girls Secondary School
20. Otafa Jericho Secondary School

21. Mutuini High School
22. Langata Road Secondary School
23. Ruthimitu Secondary School
24. Kangemi Secondary School
25. Kamiti Secondary School
26. Hospital Hill Secondary School
27. Nile Road Secondary School
28. Nembu High School
29. St. George's Secondary School
30. Ruaraka Secondary School
31. Buru Buru Girls Secondary School
32. Nairobi Milimani Secondary School
33. Dandora Secondary School
34. Our lady of Fatima Secondary School
35. Maina Wanjigi Secondary School
36. Uhuru Secondary School
37. Kayole Secondary School
38. Kamukunji Secondary School
39. Muhuri Muchiri Secondary School
40. Ruthimitu Girls Secondary School
41. Dr.Mwenje Secondary School
42. Ndururuno Secondary School
43. Dagoreti Mixed Secondary School
44. Karen C
45. Kabete Secondary School

LIST OF SCHOOLS THAT PARTICIPATED IN THE STUDY

1. Moi Forces Academy
2. Nairobi School
3. Starehe Boys Center and School
4. Aquinas High School

5. Dagoreti High School
6. Jamuhuri High School
7. Eastleigh Secondary School
8. Parkland Boys Secondary School
9. Pumwani Secondary School
10. St. Teresa's Boys Secondary School
11. Parklands Arya Girls High School
12. Huruma Girls Secondary School
13. St. Teresa's Girls Secondary School
14. Ofafa Jericho Secondary School
15. Kangemi Secondary School
16. Nile Road Secondary School
17. Buru Buru Girls Secondary School
18. Our lady of Fatima Secondary School
19. Uhuru Secondary School
20. Kamukunji Secondary School
21. Kabete Secondary School

Appendix IV: QUESTIONNAIRE FOR SECONDARY SCHOOLS

The information in this questionnaire will be treated confidentially and will not be used for any other purpose other than academic. In case of difficulties, the difficulties will be discussed with you during the interviews.

Date.....questionnaire Number.....

PART 1

A. General information about the secondary school

1. Do you have a long term (strategic) plan for the secondary school?

Yes () No ()

If yes how long does it run.....

2. What is the current students population in your secondary school?.....

3. The total asset value of the school

a) Land

(i) Number of acres.....(ii) Total value of land.....

b) Buildings

Total value of buildings.....

Any other asset

(i)..... Total value.....

(ii)..... Total value.....

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

Fees.	Donations.	School farm.	Government grants.	CDF.	Rent	Any other (specify)
()	()	()	()	()	()	()

5. If CDF? Is prior budget made before allocation?.....

6. How much fees do you charge per student per year?.....

7. How many of the following staff categories are employed by the school?

a. Teaching staff.....

b. Non teaching staff.....

B. Organizational performance

8. Kindly provide below information concerning your performance

	2005	2004	2003	2002	2001
Total number of students					
Total fees expected to be collected					
Total fees collected					
Total fees arrears					

9. Do you experience the following in your secondary school operations? (Tick appropriate)

Surplus () Deficit ()

10. If deficit, to what extent did the following contribute towards this deficit?

	Least		most		
	contributed		contributed		
	1	2	3	4	5
• High cost of food stuffs and other materials	()	()	()	()	()
• Expenditure on co-curriculum activities than expected	()	()	()	()	()
• Increased number of fees defaulters	()	()	()	()	()
• Unsustainable scale of activities	()	()	()	()	()
• Fees charged being inadequate	()	()	()	()	()
• Any other (specify) _____	()	()	()	()	()

PART II

Secondary school Budgetary Practices

1. Is budgeting important to the success of your secondary school?

Not important	Limited importance	Important	Very important	Essential
()	()	()	()	()

2. Do you undertake some initial preparations and analysis before undertaking the budget process?

Yes No

If yes, what initial preparation and analysis do you do before undertaking budget process?.....

3. What kind of budgets does your secondary school prepare? (Tick appropriate)

Cash budget.	Budget for acquisition of fixed (long term) assets.	Income and expenditure budget.	Any other (specify) _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. a) What duration does the budget prepared by your secondary school cover? (Tick appropriate)

Monthly	Termly	Yearly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

b) What duration does the long term assets acquisition budget prepared by your secondary school cover? (Tick appropriate)

Yearly.	Every 2 – 3 years.	Every 3 – 5 years.	Never prepared.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. To what extent are the following involved in the preparation of the budget in your secondary school?

	Least involved		Most involved		
	1	2	3	4	5
• Principal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Deputy. Principal.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Senior Master	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• BOG	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• HODs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• All staff members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Parents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• students	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Bursar/Accountant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Which tool is used most during the budgeting process in your secondary school?

	Least used			Most used	
	1	2	3	4	5
• Budget committee	0	0	0	0	0
• Interdepartmental discussion groups	0	0	0	0	0
• Suggestion systems	0	0	0	0	0
• Budget manual	0	0	0	0	0
• Brainstorming groups	0	0	0	0	0
• Any other (specify)					
_____	0	0	0	0	0

7. Have employees been educated about your budgeting process?

Yes No

8. If yes, why is it important to educate your staff about the budgeting process?

	Least important			Most important	
	1	2	3	4	5
• To obtain their acceptance and support	0	0	0	0	0
• To be transparent about the school budget	0	0	0	0	0
• To make employees accountable	0	0	0	0	0
• To facilitate smooth budgeting process	0	0	0	0	0
• To be able to understand accounts	0	0	0	0	0
• To be able to be promoted	0	0	0	0	0

9. To what extent does each of the following approach apply in budgeting education programmes?

	Least used			Most used	
	1	2	3	4	5
• Seminars	0	0	0	0	0
• Conferences	0	0	0	0	0
• Discussions	0	0	0	0	0
• Senior staff development programmes	0	0	0	0	0
• Written budget manuals	0	0	0	0	0

- Formal training
- Any other (specify)

10. Has the principal undertaken any training in financial management since becoming a deputy?
 Yes No

If yes, how long did the training take?.....

11. Are the following budget approaches used in the preparation of the budget in your secondary school?

	Least used			Most used	
	1	2	3	4	5
• Justification of all costs as if programs involved are being initiated for the first time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Addition of some percent on previous years budget figures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Considering the cost of activities necessary to achieve desired level of operation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Any other (Specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. How does budgeting affect financial performance of your secondary school?

Not at all		Much	Very much	
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Has your secondary school incurred the following expenditures since introduction of free primary education?

	Yes	No
• Building of classrooms and dormitories	<input type="checkbox"/>	<input type="checkbox"/>
• Acquisition of Permanent equipment / assets	<input type="checkbox"/>	<input type="checkbox"/>
• Special provision for future investments	<input type="checkbox"/>	<input type="checkbox"/>

14. Do you have established standards or targets of expenditure against which actual expenditure can be compared? Yes No

15. Who initiates budget targets in the secondary school? (Tick appropriate)

Principal Bursar HODs All employees. Any other (specify).....

16. Are your budgets negotiated between higher management personnel and departmental heads?

Yes No

17. Which of the methods below are used to communicate to employees about the budgeting process in your secondary school?

	Least used			Most used	
	1	2	3	4	5
• Face to face communication with supervisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Senior management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Principal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Briefing meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Memos	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Any other (specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. What information do you communicate to employees during budgeting process?

	Yes	No
• Targets to be achieved during the target period	<input type="checkbox"/>	<input type="checkbox"/>
• Environmental expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Strategic plan details to be implemented	<input type="checkbox"/>	<input type="checkbox"/>
• Variance between actual and budgeted performance for the ending period.	<input type="checkbox"/>	<input type="checkbox"/>
• Budgeting guidelines	<input type="checkbox"/>	<input type="checkbox"/>

Factors considered when undertaking a budgetary process.

19. To what extent are the following factors considered during the preparation of your secondary schools' budgets?

	Least essential			most essential	
	1	2	3	4	5
• Frequent feed back on performance	0	0	0	0	0
• Top management support	0	0	0	0	0
• Flexibility of the budget	0	0	0	0	0
• Departmental heads support	0	0	0	0	0
• All employee participation	0	0	0	0	0
• Clear and realistic goals/targets	0	0	0	0	0
• Influence of external environment on availability of resources	0	0	0	0	0
• Motivation of employees	0	0	0	0	0
• Communication of school policies to all employees	0	0	0	0	0
• The number of students in the Secondary school	0	0	0	0	0
• Strategic plan of the secondary school	0	0	0	0	0
• Any other (specify)	0	0	0	0	0

Perceived Benefits of Budgeting by Secondary schools

20. In your opinions is the budgeting process necessary?

Strongly disagree			strongly agree	
1	2	3	4	5
0	0	0	0	0

21. To what extent do you consider the following to be benefits realized from the budgeting programmes in our secondary schools?

	Least justify			Most justify	
	1	2	3	4	5
• To control costs	0	0	0	0	0
• To motivates the staff	0	0	0	0	0
• To coordinates the operations of the secondary school	0	0	0	0	0
• To facilitate communication among the staff of the school regarding expectations	0	0	0	0	0
• To facilitate communication among parents of the school regarding expectations	0	0	0	0	0
• To fulfill the MoEST requirements regarding budgeting.	0	0	0	0	0
• To anticipate operating bottlenecks and their possible solutions	0	0	0	0	0
• To plan annual operations	0	0	0	0	0
• To facilitate evaluation of performance by various sections (Departments)	0	0	0	0	0
• To facilitate effective and efficient resource allocation by management	0	0	0	0	0
• To implement strategic goals of the school	0	0	0	0	0
• Any other specify	0	0	0	0	0

Challenges Associated With The Budgeting Process.

22. What are the notable challenges that the budgetary process goes through?

	Least			Most	
	1	2	3	4	5
• Lack of top management support and involvement	0	0	0	0	0
• Lack of education for all individuals involved	0	0	0	0	0

• Participation of all individuals	0	0	0	0	0
• Budget implementation	0	0	0	0	0
• Lack of understanding of the business environment	0	0	0	0	0
• Setting of unrealistic targets by managers for personal gain	0	0	0	0	0
• Budget complexity	0	0	0	0	0
• Conflicts among managers	0	0	0	0	0
• Non communication to employees during budgeting process	0	0	0	0	0
• Cost escalation beyond anticipation	0	0	0	0	0

Thank you very much for your thoughtfulness and cooperation

Position of respondent.....

Principal/Deputy Principal/Bursar.