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INFLUENCE OF BUDGET REPORTING PRACTICES ON FINANCIAL MANAGEMENT IN PUBLIC SECONDARY SCHOOLS IN MANDERA COUNTY, KENYA

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INFLUENCE OF BUDGET REPORTING PRACTICES ON FINANCIAL MANAGEMENT IN PUBLIC SECONDARY SCHOOLS IN MANDERA COUNTY, KENYA

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Abstract

Purpose: Amid the need to foster efficiency and effectiveness in schools, budgetary practices have been embraced by public secondary schools in different part of the world. Key of which is to compel planning and to provide best practices criteria in financial management in the public institutions, however, criticism has been leveled against the school management on issues of wastages and misappropriation of public resources. The study intended to assess the influence budget reporting practices on financial management in public secondary schools in Mandera County, Kenya.

Methodology: The study was guided by financial prudential and zero-based budgeting theories. The study adopted mixed methodology and applied concurrent triangulation design. Qualitative data were analyzed thematically along the objectives and presented in narrative forms. Quantitative data was analyzed descriptively and inferentially using One-Sample t-Test using Statistical Packages for Social Science (SPSS Version 23) and presented using tables.

Findings: The study established that secondary schools in Mandera County rarely adhere to budget reporting practices geared toward to improving financial management. In conclusion, budgetary reporting plays a key role in the financial management in secondary schools.

Unique Contribution to Theory, Practice and Policy Thus, the study recommends that schools should adhere to the well-laid down budget reporting procedures. Principals should engage the services of skilled personnel to oversee budget implementation and consider the financial resources available. Schools should conduct continuous evaluation of the achievement of budget plans. The ministry of education will benefit from the study in carryout regular capacity building of school managers and also enforcing financial regulations to ensure prudent utilization of school funds.

Keywords: *Budget reporting practices, financial management, secondary schools*

1.0 INTRODUCTION

Effective oversight and reporting of budget implementation should make sure that public funds are managed prudently to minimize misappropriation and wastages (Ishara, 2007). Financial reports usually need accounting and its products such as an organization's annual report as a platform upon which to build many decisions and activities. According to Belverd (2006), organizations must follow specific rules and formats of presentation for their annual reports and financial statements. The key accounting event for any organization is the publication of the annual report which records the financial performance over a book year (Belverd, 2006). Financial reports help managers to discuss results and spending and performance against budget, they usually work from management reports, which have been prepared by the school accountants using accounting information systems. In a school situation, financial statements convey information on the sources and uses of funds and also the financial position of the school at that particular period.

In a study conducted in the United Kingdom about sustainable budget reporting practice in schools, Mark (2011) asserted that ensuring efficiency, accountability and transparency in budget reporting in schools is critical to sustainable development and effective management of financial resources. In the same vein, Mendoza (2008), in a study conducted in Mexico indicated that out of the total secondary school resources, noted that the quality of services, infrastructures, and the effectiveness of public services much depend on well-managed school budget reporting practices; a process which cannot occur without effective financial management skills amongst school principals. In most countries in Sub-Saharan Africa, accountability constitutes a central pillar of any school budget reporting system (Ishara, 2007). In a study carried out in Cape Town Province of South Africa, Visser and Erasmus (2007) posited that without transparent and accountable systems enabling governments and citizens to engage in a mutually responsive way, the vast resources channeled to schools run the danger of increased corruption and misuse of funds.

Even in a system with low levels of corruption, public and civic oversight can help identify inefficiencies, thereby increasing budget reporting efficiency and effectiveness for the benefit of improved service delivery and ultimately citizens (Visser & Erasmus, 2007). In Kenya, budget reporting practices in secondary schools include the process of preparing school budget reports, seeking approval from school BOM and providing feedback (Ministry of Education, 2013).

Public Procurement Disposal Act of 2005 and Regulation of 2006 were enacted to introduce procedures for efficient public budget reporting in schools and colleges with the objectives of maximizing economy and efficiency, promote competition, promote integrity and fairness of budget reporting procedures, to enhance transparency and accountability, to restore confidence of education stakeholders in budget reporting process and to facilitate the promotion of local industries and economic development (PPOA, 2009). According to MoE (2013), it is mandatory for principals to make sure accountability and caution are observed in the use of school funds so as to achieve effective educational goal. In Mandera County, just like any other region, secondary schools are public entities, though, the practice of budget reporting is wanting which has had ripple effect on management of school resources. In an effort to attain these demands, schools constantly look for school principals who have skills necessary to deal with the wide variety of tasks faced by secondary school principals (Institute, 2007 and Kimani, 2010). However, a study by Institute (2007) and Kimani (2010)

have not revealed how acquisition of budget reporting skills has enhance secondary school principals' ability and capacity to improve budgetary efficiency and accountability.

Statement of the problem

Proper budgetary practices are expected to improve financial management in, however, in Mandera County, criticisms have been leveled on issues concerning efficiency in usage of financial resources to meet educational needs as well as questions about the quality and the relevance of the curriculum and the cost of providing education (Musau, 2015). In the same vein, several audit reports revealing gross mismanagement and embezzlement of funds in public schools, which leads to poor management of financial resources with deviations from budgetary practices, standards, and principles (Price Waters Coopers, 2015). There are manipulation of the budget items and transfer of funds from one area to another in disregard of the due process. This may lead to schools having inadequate finances to fund important programmes in schools. Financial management in public secondary schools has been an issue of concern among stakeholders; parents, teachers, policy makers, Boards of Management, students and even the public at large mostly due to inadequate or lack of budgeting of resources provided in the schools (Musau, 2015). Many stakeholders therefore do not know what the money they pay to schools does and this has led to mistrust of the school managers, loss of goodwill by parents and sponsors and reduced morale among teachers and staff. This has created a situation of total mistrust between the stakeholders, principals being interdicted on allegations of financial misappropriations, students striking or involving themselves in insidious conduct because of the opaque nature of school financial reports or general lack information and cases of poor financial management. Although there is available government policies and legal framework in place that demands for accountability and transparency in the use of public resources and safeguarding public funds from misappropriation and minimize wastages the audit reports from the fields are glaring and wanting. In the same vein, it is not clear how budget reporting practices adopted in most schools influence financial management.

2.0 THEORETICAL FRAMEWORK

Finance Management Theory

The study was guided by a finance management theory called prudential theory advanced by Koller (2004), which is the basic financial theory for non-profit organization finance management. Koller (2004) argues that the maximization of stakeholder's value is the most important goal of any organization which is not profit making and therefore only those investments that benefit all stakeholders financially should be undertaken or considered. The study was also guided by Zero-based Budgeting Theory put forward by Pyrrh (1970). The theory contemplates that budget is recollected from the first principle, that is, from a zero base. The Zero-Based Budgeting Theory can be related to the study because the budgetary activities within schools are anchored on the premise of justifying the utilization of each penny beginning from the basis responsibility ground. The relevance of these theories in this study was based on the fact that they underscore the fact that, in the school context, financial management has to be framed in the social and cultural context in which this branch of knowledge exercises a fundamental and credible role in the dissemination of school's financial information.

3.0 RESEARCH METHODOLOGY

The study applied mixed methodology. The study used concurrent triangulation design. The study targeted 981 respondents comprising of 42 principals, 350 teachers and 588 School Board of Management. The Yamane's formula was used to sample 294 respondents comprising of 13 principals, 105 teachers, 176 members of school BOM and County Schools Auditor. Stratified sampling was used to create 6 strata based on the number of sub-counties in Mandera County. From each sub-county, two principals were selected using simple random sampling. From each sub-county, 18 teachers and 30 members of school BOM were selected using simple random sampling. Questionnaires were used to collect data from teachers, interview guide from principals and the County Schools Auditor and focus group discussions from the school BOM. Qualitative data were analyzed thematically along the study objectives and presented in narrative forms. Quantitative data were analyzed using descriptively and inferentially using One-Sample t-Test Analysis using Statistical Package for Social Science (SPSS 23) and presented using tables.

4.0 RESULTS AND DISCUSSIONS

The study sought to assess the levels of financial management in secondary schools in Mandera County and analyze the influence of budget reporting practices on financial management in secondary schools in Mandera County.

4.1 Response Rate

In this study, 105 questionnaires were administered to secondary school teachers. 102 teachers filled and returned their questionnaires. The researcher also conducted interviews amongst 12 principals and the County Schools' Auditor and focus group discussions amongst 175 members of school BOM which yielded response rates shown in Table 1;

Table 1: Response Rates

Respondents	Sampled Respondents	Those Who Participated	Achieved Return Rate (%)
Principals	13	12	92.3
Teachers	105	102	97.1
School Board of Management	176	175	99.4
County Schools Auditor	1	1	100.0
Total	295	290	98.3

Source: Field Data (2019)

From Table 1, the principals, teachers, members of school Board of Management and the County Schools' Auditor registered a response rate of 98.3%. This confirmed the findings of Creswell (2009) that a response rate above 75.0% is adequate and of suitable levels to allow for generalization of the outcomes to the target population.

4.2 Levels of Financial Management in Secondary Schools

The study sought to assess the levels of financial management in public secondary schools. Descriptive data were collected from teachers and results are shown in Table 2:

Table 2: Teachers' Views on the Levels of Financial Management in Secondary Schools

Test Items	Ratings				
	SA %	A %	U %	D %	SD %
Auditors do not frequently audit books of accounts for secondary schools	51.3	13.1	4.6	23.7	7.3
Budget documents are rarely available in schools	42.9	12.8	5.3	30.1	8.9
School BOM usually approves budgets	71.6	15.2	3.7	6.7	2.8
Financial documents such as receipt books, trial balances, audit reports, cash books and stores are available in secondary schools	57.2	9.8	10.1	13.5	9.4
Secondary schools rarely adhere to preparation of budget documents	50.3	12.2	5.4	21.4	10.7

Source: Researcher (2018)

Table 2 reveals that 52(51.3%) of the teachers strongly agreed with the view that auditors do not frequently audit books of accounts for secondary schools as did 13(13.1%) who agreed that they do not frequently involve stakeholders. However, only a paltry 5(4.6%) of the teachers were undecided, 24(23.7%) of the teachers disagreed whereas 8(7.3%) of the teachers strongly disagreed. Despite these contradictions, these findings corroborate the assertions of Watson (2000) and Saye (2008) that financial management entails financial activities such as frequent auditing of books of accounts and financial reporting. This indicates that frequent auditing of schools' financial operations is a major aspect in the financial management in any secondary school and thus, ensures prudent use of school resources. The study also established that 44(42.9%) of the teachers strongly agreed that budget documents are rarely available in secondary schools. 13(12.8%) agreed. 5(5.3%) of the teachers were undecided, 31(30.1%) disagreed whereas 9(8.9%) strongly disagreed. This points to challenges which face financial management in secondary schools where basics such as record keeping, accounting and record maintenance are still a problem.

The study also revealed that 73(71.6%) of the teachers strongly agreed that school BOM usually approves budgets. 16(15.2%) of the teachers agreed. 4(3.7%) of the teachers were undecided, 7(6.7%) disagreed whereas 3(2.8%) strongly disagreed. These findings lend credence to the assertions of Xaba and Ngubane (2010) that, once the budget has been approved, monthly budgetary accounting procedures should begin in order to ensure that the funds are spent according to the approved budget. This implies that school BOM plays an important role in approval of school budgets and therefore, it is neither wise nor prudent to spend money until the school BOM has determined prioritize based on the school's development plan. 58(57.2%) of the teachers strongly agreed that financial documents such as receipt books, trial balances, audit reports, cash books and stores are available in secondary schools. 10(9.8%) agreed. 10(10.1%) were undecided, 14(13.5%) disagreed whereas 10(9.4%) strongly disagreed.

The study also revealed that 51(50.3%) of the teachers strongly agreed that secondary schools rarely adhere to preparation of budget documents. 12(12.2%) agreed. 6(5.4%) were undecided, 22(21.4%) disagreed whereas 11(10.7%) strongly disagreed. These findings are inconsistent with the assertions of Allan (2001) that accounting systems provide a source of information to secondary school heads in the measurement of financial performance. This indicates that secondary school principals ought to adhere to budgetary procedures as a consequence for prudent use of financial resources allocated to schools. In other words, adhering to accounting procedures and information is important as it can help them manage their short-term problems in critical areas like costing, expenditure and cash flow, by providing information to support monitoring and control.

4.3 Thematic Analysis on Levels of Financial Management in Secondary Schools

During the interviews, principals, however, refuted claims that auditors do not frequently audit books of accounts for secondary schools. Principal, P1, noted:

“In my school, books of accounts are always audited. It is often done quarterly at the start of every school term before submitting budgets for the next and subsequent school terms” (Male, Bed)

These views were supported by the County Schools Auditor as did the school BOM during the focus group discussion. They also indicated that books of accounts for secondary schools are audited on regular basis. As noted earlier, these views also indicate that regular auditing of schools’ financial operations is a major aspect in the financial management in any secondary school and thus, ensures prudent use of school resources. However, the interviewees and discussants disagreed with the teachers who stated that budget documents are rarely available in secondary schools. Principal, P2, noted:

“In my school, budget documents such as receipt books, trial balances, audit reports, cash books and stores are available in secondary schools. It is a requirement by the Ministry of Education that every financial transaction undertaken in the school should be accompanied by a receipt for future auditing purposes” (Med, Female)

This further indicates that, in secondary schools, financial management face serious challenges with aspects such as record keeping, accounting and record maintenance are still a problem. However, the principals, county schools’ auditor and school BOM responded in favor of the view that school BOM usually approves budgets. Hence, these mixed findings point to the fact that secondary school principals ought to adhere to budgetary procedures as a consequence for prudent use of financial resources allocated to schools.

4.4 Budget Reporting Practices and Financial Management in Schools

The study sought to establish how often secondary schools conduct budget reporting and how budget reporting practices influence financial management in secondary schools. Descriptive data was collected from teachers and results are indicated in Table 3:

Table 3: Teachers' Views on the Influence of Budget Reporting Practices on Financial Management in Public Secondary Schools

Summary of Test Items	SA %	A %	U %	D %	SD %
Preparation of school budget reports has rarely enhanced financial accountability, transparency and adherence to financial policy regulations	58.8	21.6	4.1	10.4	5.1
Secondary schools rarely prepare budget reports to enhance financial prudence and efficiency	61.6	17.7	3.9	10.5	6.3
Approval of school budget reports by relevant authority has not enhanced financial accountability and transparency	59.9	19.8	2.5	12.2	5.6
Approval of school budget reports by relevant authority has not enhanced financial management in schools	65.9	13.4	3.7	10.3	6.7

Source: Researcher (2018)

Table 3 reveals that 60(58.8%) of the teachers strongly agreed that preparation of school budget reports has not very frequently enhanced financial accountability, transparency and adherence to financial policy regulations. 22(21.6%) agreed. 4(4.1%) were undecided, 11(10.4%) disagreed whereas 9(5.1%) strongly disagreed. The study also revealed that 63(61.6%) of the teachers strongly agreed that secondary schools do not prepare budget reports to enhance financial prudence and efficiency as did 18(17.7%) who agreed. 4(3.9%) were undecided, 11(10.5%) disagreed whereas 6(6.3%) strongly disagreed. These findings corroborate the assertions of Okumbe (2001) that effective oversight and reporting of budget implementation should make sure that public funds are managed prudently to minimize misappropriation and wastages. These findings thus affirm the fact that, in the preparation of the budget, the principal must seek the cooperation of the BOM, the parents, the teachers and other school employees. By enlisting the cooperation of these people, the principal ensures a comprehensive view of the budget and a feeling of partnership. Similarly, 61(59.9%) of the teachers strongly agreed that approval of school budget reports by relevant authority has not very frequently enhanced financial accountability and transparency as did 20(19.8%) who agreed. 3(2.5%) were undecided, 13(12.2%) disagreed whereas 5(5.6%) strongly disagreed.

Majority, 67(65.9%) of the teachers strongly agreed that that approval of school budget reports by relevant authority has not very frequently enhanced financial prudence, efficiency and adherence to financial policy regulations as did 14(13.4%) who agreed. However, 4(3.7%) of the teachers were undecided, 11(10.3%) disagreed whereas 6(6.7%) strongly disagreed. These findings lend credence to the assertions of MoE (2010) that to begin the process is initiated by the school budget committee who are involved with the formulation of the budget every year, the school committee will then present the budget to the school BOM for review whereby they study the document and make necessary recommendation and amendment before the final approval. These findings affirm the fact that the budget reporting is very critical element of the budget process since it is the one that ensures efficacy of the entire budget cycle, in which case all the stakeholders must be involved in the stage.

4.5 Inferential Findings on the Influence of Budget Reporting Practices on Financial Management in Public Secondary Schools

To verify the possibility of difference between budget reporting practices and financial management, data was collected on how often secondary schools prepare budget reports, school annual budgets, annual expenditure, money unaccounted for and efficiency and results are shown in Table 4:

Table 4: Results of Frequency of Adherence to Budget Reporting Practices, Schools' Annual Financial Disbursements, Expenditure, Money Unaccounted for and Efficiency

Frequency of Budget Report Preparation	Financial Management (Kshs.)			
	Annual Disbursements	Annual Expenditure	Money Unaccounted For	Efficiency
1	2,110,680	1,179,870	930,810	55.9%
2	2,110,680	1,428,930	681,750	67.7%
3	2,110,680	1,775,081	335,599	79.8%
4	2,110,680	1,876,395	234,285	88.9%

Source: County Schools Auditor (2018)

Table 4 indicates that schools which often prepare budget reports register impressive financial efficiency. These findings thus affirm the fact that, in the preparation of the budget, the principal must seek the cooperation of the BOM, the parents, the teachers and other school employees. These results are subjected to One-Sample t-Test Analysis and results are indicated in Table 5:

Table 5: One-Sample t-Test Analysis of the Difference between Frequency of Adherence to Budget Reporting Practices and Means of Schools' Annual Disbursement, Annual Expenditure, Money Unaccounted for and Financial Efficiency

		Test Value = 0						
		t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	Lower	Upper
Frequency of Adherence to Budget Reporting Practices		3.873	3	0.030	2.500	.45		4.55
Annual Disbursements		9.770	3	0.002	1565069.000	1055263.84		2074874.16
Annual Expenditure		3.406	3	0.042	545611.500	35807.37		1055415.63
Efficiency		10.170	3	0.002	73.0750	50.208		95.942

Source: SPSS Generated (2018)

From the One-Sample t-Test Analysis in Table 5, the processed data, which is the population parameters, has a significance level of 0.030 for the frequency of adherence to budget execution practices, 0.002 for mean annual disbursements, 0.042 for the mean annual expenditure and 0.002 for financial efficiency which show that the data is ideal for making a conclusion on the population's parameter as the value of significance values (0.030, 0.002, 0.042 and 0.002) are less than 5%, that is, $p\text{-value}=0.030, 0.001, 0.045$ and $0.001 < 0.05$. These data also indicate that the results were statistically significant and that there is significant difference between adherence to budget execution practices and means of annual school budgets, annual expenditure, money unaccounted for and financial efficiency. These findings attest to the fact that, in the preparation of the budget, the principal must seek the cooperation of the BOM, the parents, the teachers and other school employees.

4.6 Thematic Analysis of Qualitative Findings on the Influence of Budget Preparation Practices on Financial Management in Secondary Schools

The principals, County Schools Auditor and members of school BOM also responded in favor of the view that preparation of school budget reports has rarely enhanced financial accountability, transparency, financial prudence, efficiency and adherence to financial policy regulations. These views further corroborate the views expressed by Okumbe (2001) that effective oversight and reporting of budget implementation should make sure that public funds are managed prudently to minimize misappropriation and wastages. These findings thus affirm the fact that, in the preparation of the budget, the principal must seek the cooperation of the BOM, the parents, the teachers and other school employees. Principal, P3, further observed,

“We always seek approval of school budget reports from the relevant authority. However, this has not enhanced financial accountability, transparency, prudence, efficiency and adherence to financial policy regulations”.

These views point to the fact that budget reporting is very critical element of the budget process since it is the one that ensures efficacy of the entire budget cycle, in which case all the stakeholders must be involved in the stage.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

From the study findings, budget reporting practices are rarely adhered to in public secondary schools as a strategy for enhancing financial management in secondary schools. This is indicative of the fact that effective oversight and reporting of budget implementation should make sure that public funds are managed prudently to minimize misappropriation and wastages. It further points to the fact that principals must seek the cooperation of the BOM, the parents, the teachers and other school employees for effective budget preparation.

Conclusions

From the study findings, it is evident that preparation of school budget reports has rarely enhanced financial accountability, transparency, financial prudence, efficiency and adherence to financial policy regulations. This is indicative of the fact that effective oversight and reporting of budget implementation should make sure that public funds are managed prudently to minimize misappropriation and wastages.

Recommendations

The study recommends that school management should constantly provide budgets reports after implementation, which may go a long way in ensuring financial efficiency and future financing of miscellaneous budgetary plans. The ministry of education and board of management should conduct regular monitoring and evaluation of schools to ensure compliance with budgetary practices and take disciplinary action for non-compliant school managers.

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