

Effectiveness of Internal Control Procedures on Management Efficiency of Free Primary Education Funds: a case of Public Primary schools in Kisii central District, Kenya

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Abstract

Concerns over misappropriation and misuse of Free Primary Education funds have been raised by parents, the government and donors despite the increased funding. It is not clear the extent of use of internal control procedures in public primary schools are contributing to this state of affairs. Therefore, the purpose of this study was to establish the effectiveness of internal control procedures on management efficiency of FPE funds in public primary schools in Kisii Central District. The study was guided by the stewardship theory which advocates for integrity, transparency and accountability. The study targeted 267 respondents comprising of 132 head teachers, 132 SMCs chairpersons and 3 District Education staff in Kisii Central District, Kisii County, from which a random sample of 117 was taken for study. The findings of the study revealed that use of internal control procedures are effective on management efficiency of funds in schools and therefore recommends embracing enhanced internal control procedures in their resolve to efficient management.

Key Words: Internal Control Procedures, Management Efficiency, Education Funds

1.0 Introduction

The aspect of investment in Primary Education has been a key element in the development process worldwide. Primary Education improves the earnings of its graduates by 19% in Kenya and 13% in Tanzania. In such a noble process, there is always apparent social benefit that accrues from primary schooling, which includes reduced fertility, better health care and decreased child mortality. It is for this reason that most countries worldwide have prioritized primary education,(Knight and Sabot 1990). In United States of America, elementary schooling is free and compulsory to all children while in India Central government provides 80% of the financing of Free Primary Education (FPE), while the local states implement and provide the rest of the financing. African countries like Malawi, Uganda and Lesotho have implemented FPE.

Kenya on its part implemented the Free Primary Education in the year 2003. The overall goal of FPE is to build the human capital capacity through investing in children at an early age.

Basic skills not only help individuals but also have an impact on the income, growth potential, population and public sector performance.

Following the declaration of Free Primary Education in 2003 by the Government (Republic of Kenya, 2003) there has been an overwhelming influx of children to public primary schools. The ministry of Education through the government of Kenya has however, made tremendous efforts to raise funds from donors such as World Bank, UNICEF, European Union, USAID and Non Governmental Organizations (NGOs) like Plan International and CARE Kenya to finance FPE (Ministry of Education, 2007).

Kisii Central District has 132 Public Primary Schools which are performing the cardinal function of providing education to the children of Kenya. Since the introduction of FPE programme, Kisii Central District has been steadily receiving funding from the treasury budgetary allocations indicating the serious commitment the government places in attainment of universal access to basic education. Overall the government of Kenya in Financial Year (FY) 2010/2011 allocated 23.8% of its resources in the education sector of which 17.7% were earmarked to basic education. (Ministry of Finance estimates, 2010/2011). Table 1.1 illustrates FPE disbursements from FY 2007/2008 to FY2009/2010 in Kisii Central District.

For management efficiency of funds it is imperative that schools operationalize internal controls. Internal controls which influence management efficiency include the following: segregation of duties on approving of documents, trial balance and reconciliation statements extraction, payment procedures, staff accounting skills, computerized procedures and procurement and stores controls.

Explicit standards and performance measures must be established, because accountability requires clearly stated aims and efficiency requires attention to goals; and managers must be given powers to conduct hands-on professional management, because accountability requires clear assignment of responsibility, not diffusion of power.

However issues on management efficiency ever since the introduction of the FPE programme keep on emerging. Free Primary Education is in serious trouble following cases of massive fraud at the Ministry of Education. Some donors have now stopped funding FPE until those who have stolen the free education money are arrested and prosecuted. The British government stopped funding FPE saying, it would not resume unless the over Kshs. 100 million stolen from the Kitty was recovered and the thieves prosecuted (Nyaegah, 2011).

Clearly, this is a serious hindrance to the provision of universal free primary education and if the trend continues, then it will be difficult for the government to achieve Millennium Development Goals. There is widespread mismanagement and general non-accountability in the sector. First, cases where textbooks are purchased delivered to school and then quietly returned to bookshops. Secondly records in school showing that exercise books have been delivered where in reality not a single book has been taken to the schools and where FPE funds end up in accounts of institutions they are not meant for. This coupled with over-centralization of decision-making and the exclusion of important stakeholders has made the governance situation in the education sector dire (KESIS, 2010). The cost of textbooks stolen in the first six years of FPE was KSh1.7 billion; 5.2 million textbooks were stolen in the first six years (The Daily Nation Newspaper February 2010).

To achieve the goals and objectives of Universal Primary Education in Kisii Central District, schools need to bring up efficiency in their operations. Since strong internal control procedures lead to management efficiency, the extent to which schools are applying these control procedures is the main concern. It is against this background that this research aimed at assessing the effectiveness of internal control procedures on management efficiency of FPE Funds in public primary schools in Kisii Central District. The study therefore sought to answer the following questions;

- i. To what extent are internal control procedures used in Public Primary Schools in Kisii Central District?
- ii. What is the level of management efficiency of FPE funds in Public Primary Schools in Kisii Central District?
- iii. Are internal control procedures effective on management efficiency of FPE funds in public primary schools in Kisii Central District?

2.0 Literature Review

2.1 The Concept of Internal Control Procedures

Internal control is the process designed and implemented by those charged with governance, management, and other personnel, to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (Gray, 2008)

Power(1997), defines internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories :effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Internal accounting controls are mechanisms through which an entity provides useful information which is important for decision making. Internal controls means all the policies and procedures adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information .

This also encompasses all those policies and procedures issued by the ministry of education on spending of FPE funds in public primary schools in Kenya. The internal control system extends beyond those matters which relate directly to the functions of the accounting system and comprises the control environment which means the overall attitude, awareness and actions of directors and management regarding the internal control system and its importance in the entity. The control environment has an effect on the effectiveness of the specific control procedures. A strong control environment, for example, one with tight budgetary controls and an effective internal audit function, can significantly complement specific control procedures. Factors reflected in the control environment include the function of the board of directors and its committees, management's philosophy and operating style and the entity's organizational structure and methods of assigning authority and responsibility. The internal controls employed in management of FPE funds will reflect the efficiency and effectiveness of the whole system of financial management.

Hence strong internal controls which include frequent monitoring by school committees will have a bearing on well managed funds.

Control procedures are those policies and procedures in addition to the control environment which management has established to achieve the entity's specific objectives. Specific control procedures include reporting, reviewing and approving reconciliations. Checking the arithmetical accuracy of the records, maintaining and reviewing control accounts and trial balances. Approving and controlling of documents. Comparing internal data with external sources of information and finally comparing and analyzing the financial results with budgeted amounts.

The internal controls make it possible for the head teachers to make an effective and speedy check on the rate of expenditure and proper financial management. Internal control aspects include payment procedures, employee's skills, computerized controls, procurement and stores control.

2.1.1 Maintenance of Books of Accounts

Book keeping is the art of entering transactions in relevant books of accounts. One of the routine finance functions that can be delegated to junior staff in an organization is record keeping and safeguarding property and documents of an organization. All accounting transactions are journalized and then posted to relevant ledger accounts using the double entry system. In a school situation, book keeping is made possible through supporting documents in relation to all receipts and payments, (Pandey, 2008).

2.1.2 Staff Accounting Skills

Preparation of accounts is a complex process which requires that whoever is tasked with the responsibility of preparing of these accounts should have the requisite skills and professional experience. Errors, intentional or otherwise are committed by officers who do not have the skills in accounting.

Though the head teacher is the principal accounting officer in the school, the officers to whom he has delegated the responsibility of bookkeeping should be competent. The main concern however in the preparation of financial reports is whether the employees in the accounting department have the requisite skills and knowledge to prepare these statements.

2.1.3 Trial Balance

A trial balance is a list of balances of all the vote heads in the analyzed cash book. It is a summary of all transactions on the school account. It should be prepared at the end of every month. The trial balance helps to check the arithmetical accuracy of postings from source documents to ledgers. The bank statement and the cash book in the school are frequently reconciled and differences explained. The frequency with which these are extracted and reconciled tests the strength or otherwise of the internal control system.

2.1.4 Delegating of Staff Responsibilities

Koontz (1968) suggests that a clear and open system of segregation of duties and authority in an organization helps reduce ambiguities which in turn aids in its efficient management. The responsibility exacted for actions taken under authority delegated cannot be greater than that implied by the authority delegated, nor should it be less. In this regard the head teacher in liaison with school management committees should be the front runners in ensuring that delegation of authority is pervasive in the organization. The preparation, verification and authorization of payment vouchers should be clearly spelt out to avoid fertile ground of fraud.

2.1.5 Procurement Procedures and Stores Control

Procurement of instructional materials is done by the School Instruction and Materials Selection Committee (SIMSC).

The main items slated for procurement include: textbooks, exercise books, supplementary Readers and Reference materials, pencils, dusters chalk among others. The school head teacher and the SIMSC are required to familiarize themselves with procurement regulations as stipulated in the Exchequer and Audit Regulations 2001(public procurement), legal Notice No. 161 Of 2002.

The procurement of textbooks should be in line with the policy guidelines and regulations contained in the Primary Schools' Instructional Materials Management Handbook which is issued to every school by the Ministry of Education. The local purchase order (LPO) is one of the crucial documents used on procurement process. Once the procedures have been strictly adhered to that is also a very important indicator of well managed FPE funds. Stores inventory cover all movable property in an organization purchased by use of public funds. All items procured become stores. The receipt voucher (the Goods Received Note) is prepared and certified by the receiving officer to confirm that the goods ordered have been received in the right condition and as per specifications.

2.1.6 Computerized Procedures

Institutions which have embraced the use of computers in their organizations have had a positive influence in operations and hence efficient management. Computerization of departments increases coordination and cohesiveness and therefore leading to attainment of the organisation's goals. Use of computers especially in the book keeping, generation of receipts and payment vouchers and stores control is key to management efficiency. Many computer systems have programs that test the reasonableness of a journal entry and account balance when recorded (Mwindi, 2005).

2.1.7 Monitoring and Supervision

Vos , (2004) stresses that given the financial constraints Kenya faces, meeting EFA targets will require a more efficient resource allocation within the Education sector .Monitoring of funds basically implies that monies are utilized for the purpose for which they are meant for. This is implemented by the school management committees, the district quality assurance officers and the schools audit unit.

The Kamunge report of 1988, recommended that the school committee should establish sub-committees to guide and support heads of schools in the management of such schools. Therefore, head-teachers must be persons with appropriate academic professional qualifications, experience, ability, competence, integrity and initiative if the country is to realize millennium development goals especially in the education sector. They must also have undergone courses in institutional and financial management. School management committees (SMCs) are committees charged with the responsibility of ensuring that public primary schools are managed and run according to the Ministry Of Education's regulation. Planning and execution of programme is implemented through school management committees by minutes indicating the action plan of the school in the subsequent year.

2.2 Management Efficiency of FPE funds

Management efficiency refers to utilizing funds for the intended purpose and being at a position at all times to account for these funds. In school situation it is exemplified through outcomes which have their basis on procedures, policies and controls practiced by the school. The school audit reports financial reports and annual school budgets are some of the management efficiency indicators that this study featured.

2.2.1 School Audit Reports

Annually every school is audited by the School Audit Unit but the District Quality Assurance and Standards Officers carry out regular assessments. The Provincial Directors' office monitors 5% of the schools. Monitoring or tracking of the utilization of FPE funds is also carried out twice a year by the Primary School instructional materials Unit to cover 2.5% of the schools in the country (Ministry of Education, 2003).

The purpose of Monitoring is to determine whether proper procurement procedures were followed in obtaining instructional materials. Secondly, to ensure the purchased instructions materials are in the schools and are being properly used. Finally, to ensure proper care and storage of books is being adhered to. Education Officers in Kenya are judged with the responsibility of supervising education policies and programs in schools. Effective supervision of school programs by education officers ensures that they are efficiently and effectively implemented to achieve desired goals. In order to determine the effectiveness of Education Officers in supervision of FPE, the frequency of their visit to schools, their roles, purpose of visit to schools and frequency of the consultation with the head teacher was explored.

2.2.2 Financial Reports

Financial reports also known as financial statements are the income statement and the balance sheet are supposed to be prepared by the heads of schools. The income statement is prepared to show the profitability of organization operations at the end of a particular financial period. The balance sheet shows the financial position of the enterprise at a particular date. In a school situation these financial statements convey information on the sources and uses of funds and also the financial position of the school at that particular period. Timely and honest preparation improves the accuracy and reliability of these reports.

2.2.3 Annual School Budgets

An annual school budget is an essential tool for financial control. It enables comparison of actual performance with the plan. It is the responsibility of the head teacher to ensure that the annual budget is prepared in time. The inclusiveness of all stakeholders in budget preparation increases accountability and transparency of the whole process. The management accountant aids the control process by providing performance report that compares the actual with planned outcome for each responsibility centre (Cole, 2004).

Head teachers are therefore tasked to prepare budgets which are in consonance with the ministry revised guidelines. Table 2.1 illustrates the votes heads unto which the FPE funds are adjudicated.

2.3 Stewardship Theory of Management

Stewardship theory stresses that managers, left on their own, will indeed act as responsible stewards of assets they control. The stewardship model is based upon the assumption that the manager will make decisions in the best interest of the organization, putting collectivist options above self-servicing options. This type of person is motivated by doing what's right for the organization, because she believes that she will ultimately benefit when the organization thrives. Maslow (1943), asserts that Stewardship theory is anchored in psychology and assumes that individuals are self-actualizing and hence, individuals want to achieve organizational goals without coercion.

The stewardship theory advocates for collaboration between the chief executive officer and the board of directors as the major characteristic of accounting and control systems therefore focusing on long term performance enhancement (Davis et al, 1997)

The public primary school head teachers have the cardinal responsibility of being in charge of any kind of school property in trust for parents, students government and general public (Thompson et al,2005).

2.4 Empirical Literature

King (2009) discusses the importance of inter-sectoral factors in the success of educational investment programmes such as KESSP. The need for teachers to find second incomes, the increasing importance of non-meritocratic criteria for employment selection and issues of state capacity, good governance and corruption are important determinants of the results of educational investment whilst being outside the control of the sector. Issues of educational access, equity, quality, efficiency, financial sustainability, governance and management are thus inter-sectoral issues. Most independent observers agree that public sector organizations in poor African countries perform badly, even considering the difficult circumstances they operate in. To varying degrees they suffer from a number of well-known bureau pathologies: inefficiency, centralization, fragmentation, poor leadership, lack of capacity, patrimonialism, rent seeking, corruption, and poor accountability and legitimacy. He concludes that FPE requires a holistic approach and he emphasizes the importance of other sectors including agriculture, energy, transport and trade along with the need for strong national vision, good governance and government capacity building. Integrity, accountability and transparency can be improved by strengthening the internal controls in the institutions of learning.

Ramani (2003) pointed a number of factors that still remain a hurdle in the attainment of universal primary education goals in Kenya by 2015. Among the urban poor for instance; poverty, child labor, shortage of schools and teachers in slum areas remain the greatest impediment.

While some rural areas have adequate school buildings, there are many others that are having none, particularly peri-urban areas with large slum populations. Many rural schools also lack even the most basic amenities such as toilets, electricity and running water. These challenges require long term effective and efficient management techniques with strong institutions. Institutions with strong internal controls will ensure that funds allocated to these vulnerable schools are used optimally for the intended purpose.

Traditional audit and oversight mechanisms may be an insufficient one-sided approach to reduce abuse and corruption in the education system. Publication of survey findings and information dissemination can increase corrupt practices, as well as the ability of the public to monitor and challenge abuses and help combat the general culture of impunity (Muthwii, 2004).

Liang (1996), noted that parent –teacher and school monitoring committees meetings held on regular basis provide support in addressing school issues and they succeed in enforcing some level of accountability in the sector. In Armenia, he identified the role of parent in education finance and management to be that of rising and monitoring of funds. He concluded that assignment of meaningful responsibilities and control over project resources to parents and community members led to accountability and efficiency in the school operations. Therefore strengthening internal control procedures will act as an effective tool of management efficiency.

Ikoya (2005) carried out a study on centralization and decentralization of schools' physical facilities management in Nigeria and from his findings he concluded that decentralization is a more efficient method of managing schools infrastructure because it promotes accountability and reduces official corruption in school administration.

His study shows that non availability of physical facilities in many schools may not necessarily be due to inadequate funds but due to inefficient management of the available funds. With decentralization of head teachers' roles internal control procedures are likely to be intensely applied through maintenance of books of accounts, staff accounting skills and computerized controls making them more accountable and hence increasing management efficiency.

UNESCO (2005) report on the way FPE was implemented in the first year and the lessons for its future pointed out that FPE programme was a major milestone in the country's education system as it opened the doors for children, who would have otherwise missed a chance to access education and improve their lives. Pupils were provided with exercise and textbooks and for some that was the first time in their school life that they were able to carry home reading materials and do their homework assignments; revise on their own and read ahead of their teachers, thus making learning an enjoyable experience. Moreover, pupils were no longer missing lessons due to lack of fees as used to happen in the past.

However the study found out that FPE programme faces several challenges such as increased pupil population; shortage of teachers; lack of clear guidelines on admission; lack of consultation with teachers, parents and communities; delay in disbursement of funds; expanded roles that have overtaxed head teachers were cited as some of the major challenges attending to FPE. It was particularly noted that the implementation of the programme without prior consultation or preparation of teachers and lack of regular communication to sensitize the various stakeholders on their roles hampered the smooth implementation of FPE.

The study established that the main problem with FPE is lack of a clear policy that clarifies the roles of the various stakeholders, admission criteria, handling of discipline, as well as ways of involving parents and communities in school activities, among others. The report ignored the effect of internal control mechanisms in efficient management of FPE funds.

Omukoba (2011) in her study of Contribution of income generating activities to financing secondary school education in Kenya, recommended for the purposes of practice and policy implementation regarding the management of income generating activities as a source of additional funding in schools, that the Ministry of Education should mount training programmes in entrepreneurial skills for school managers in order to empower them to run these income generating activities. She recommended that proper auditing of Income Generating Activities should be done to ensure accountability and that Schools should ensure proper record management of Income Generating Activities and keep separate books of account to check their progress.

3.0 Methodology

Because of its appropriateness in describing the current situation of internal control procedures on the management efficiency of FPE funds, descriptive design was adopted (Kothari 2005). The study was conducted in Kisii Central District, Kisii County. The district has 132 public primary schools. Therefore, the target population for the study was 267 people comprising 132 primary school Head teachers and 132 SMCs chairpersons from each Public Primary School; 1 D.E.O ; 1 DQASO; and 1 District Audit Unit Officer. As indicated in table 3.1, simple random sampling technique was used to obtain a sample of 117 respondents, based on the formula $n = \frac{Ncv^2}{[cv^2 + (N-1)e^2]}$ Where; n=sample size; N=population; Cv =coefficient of variation (0.5) and e=tolerance at desired level of confidence (0.05).

Self-administered closed ended (structured) questionnaires based on a 5-point Likert scale was used to collect primary data while Secondary data was gathered from existing literature. A correlation coefficient was obtained to obtain the reliability of the instrument subject to the rule of thumb of at least 0.5 (Polonsky and Welleer 2009). The descriptive statistics, frequency and percentages, weighted averages or summated average were used to analyze the data. The results were presented using tables.

4.0 Data Analysis and Discussion

4.1 Internal Control Procedures

The first question the study sought to answer was to what extent are internal control procedures used in Public Primary Schools in Kisii Central District? To answer this question, the respondents were required to rate the extent of use ,the frequency ,satisfaction and effectiveness of the various aspects of internal controls such as maintenance of books of accounts, extraction of trial balance, computerized procedures, procurement procedures and staff accounting skills.

4.1.1 Maintenance of Books of Accounts

The results in table 4.1.1 indicate most schools maintain books of accounts in moderate extent of 3.8 aggregate mean. The receipt book was highly rated with a mean score of 4.07. The cash book was rated with a mean score of 4.03. On the maintenance of the ledger book this was rated by the respondents with a mean of 3.7 while payment vouchers were rated with a mean of 3.4. Maintenance of books of account is a strong indicator of management efficiency. Accountability and efficiency is hinged in good record keeping.

Updating Books of Accounts

The result in table 4.1.2 indicates that schools on average update their books of account with an aggregate mean of 3.04 representing fairly often level.

Respondents indicated the highest rating on payment of creditors and other payables with a weighted average of 3.2. However the respondents felt that journalizing school transactions was least often updated with a mean of 2.9. The findings of the study reveal that schools often update their books of account which is an indicator of management efficiency of funds.

4.1.3 Extraction of Trial Balance

49% of respondents indicated half yearly basis of extraction of trial balance. 18.9% of the respondents say they extract the trial balance on a quarterly basis while 16.9% responded that they extract trial balance on a monthly basis. However 15.1% of the respondents indicate that the trial balance is extracted on a yearly basis. The findings of the study reveal that most schools extract trial balances on a half yearly basis which is not in tandem with good practice of accounting of monthly basis extraction, hence indicator of low level management efficiency.

4.1.4 Delegating of Responsibilities to Staff

The results shown in table 4.1.4 indicate that majority of the respondents are satisfied with delegation of responsibilities to staff with an aggregate mean of 3.1 representing satisfaction level. The respondents were more satisfied with delegation of stores control procedures with a highest mean of 3.3 while custodial of receipts and payment of vouchers is indicated by a mean of 3.1 of the respondents. The respondents were however less satisfied on delegation of book keeping with a mean of 2.9. The findings show that delegation of duties and responsibility influences management efficiency of funds in an institution.

4.1.5 Computerized Procedures

The results of the study shown in table 4.1.5 reveal that majority of the schools do not use computerized procedures as indicated by the respondents' responses of an aggregate weighted average of 1.7 representing not at all extent level.

The aspect of use of computerized procedures in budget management had a highest mean of 1.75 while stores management had the lowest rating of 1.65. The findings of the study show that most schools do not use computers in their operations signaling a low level of management efficiency.

4.1.6 Procurement Procedures and Stores Control

The results in table 4.1.6 above show the respondents were satisfied with an aggregate mean of 3.1 representing satisfied level on procurement procedures. Order delivery and invoicing information matched up aspects of procurement had a mean of 3.15 which was rated highest by respondents. Appropriate procedures for approving invoices for payment had a mean score of 3.01, while the lowest ranked was Budgetary checks over expenditure headings with a mean score of 2.5. The findings of this study reveal that adequate procurement procedures and stores control is an indicator of high levels of management efficiency.

4.1.7 Staff Accounting Skills

The table 4.7.1 shows that staffs accounting skills are low with an aggregate mean of 2.5 least extent in the likert scale. The aspect of preparation financial statements in time had a mean of 2.7 which was highest scored by respondents. However the aspect that the school employs staff with required accounting competencies scored the lowest mean of 2.21. This is in tandem with the respondents' low levels of satisfaction in delegation of duties to staff as regard to book keeping. This is a relatively low score implying that preparation of books of accounts and final statements may not be appropriately done and this affects levels of management efficiency.

4.1.8 Monitoring and Supervision of FPE funds

The table 4.1.8 shows that the levels of monitoring and supervision of FPE funds was satisfactory with an aggregate mean of 3.0 representing satisfied level in the likert scale. The aspect that District Education officers consulting with the head teachers every time they visit the schools on FPE funds had the highest weighted mean of 3.2 indicating that the District Education Office is involved in monitoring of FPE funds in public primary schools. The assertion that the Education officers visit at least twice every term in school had the lowest satisfaction level as indicated by its lower weighted average of 2.8. The findings of the study reveal that monitoring and supervision of FPE funds is done by the District Education office though the frequency of the visits should be increased to enhance the level of management efficiency.

4.1.9 School Management Committees

The results in the table 4.1.9 of the analysis show that respondents rated school management committee effectiveness on monitoring and supervision with an aggregate mean 2.9 representing less effective level on the likert scale. The aspect of school management committees legally being constituted had the highest score 3.64 representing moderate extent on the five point scale. However respondents rated lowest the aspect of SMCS always tender for instructional materials. The findings of the study reveal that SMCS not understanding their roles affect the level of management efficiency.

4.2 Management Efficiency of FPE Funds

The second question the study sought to answer was; what is the level of management efficiency of FPE funds in Public Primary Schools in Kisii Central District? In answering this question, respondents were asked to rate their level of satisfaction in regard to budget management, effectiveness in regard to financial reports.

4.2.1 Annual School Budgets

The results in table 4.2.1 shows annual school budgets as indicators of management efficiency had an aggregate mean of 3.1 moderately satisfied on the likert scale. Majority of the respondents affirmed with a moderate satisfaction that budgets are prepared and approved on a yearly basis with a mean of 3.22. The aspect of all stakeholders involvement in budget preparation had a mean of 3.16, indicating that to moderately satisfied level stakeholders are involved in budget preparation. The aspect of budget estimates strictly adhered scored the lowest mean of 2.88. Budgets are actually the action plans for any organization. It is the basis on which actual results are compared against and variances explained.

4.2.2 Financial Reports

The results in table 4.2.2 indicate that financial reports adequately cover the aspects of financial reporting as indicated by an aggregate mean of 3.6 representing fairly effective level on the likert scale. They are more effective in decision making as indicated by its highest weighted mean score of 3.81. However such reports were least effective in timeliness as indicated by the lowest weighted mean of 3.37. When financial reports are not timely prepared and presented, they lose confirmatory and predictive values which are important in decision making.

4.2.3 Audit Reports

The results in table 4.2.3 of the analysis reveal that 54.7% of the respondents rated least often the visit of the District Audit team to schools. 34% of the respondents indicated not at all to the district audit team visit to schools. A fairly often visit of the school audit unit is a good indicator of strong internal controls hence efficient management. The findings show that schools with fewer visits from the audit office for collection of collaborative audit evidence indicates weak internal control leading to low management efficiency.

4.3 Effect of Internal Control Procedures on Management Efficiency of FPE Funds

Are internal control procedures effective on management efficiency of FPE funds in public primary schools in Kisii Central District? This was the third question the study sought to answer. The respondents' view on the effectiveness of internal control procedures on management efficiency of FPE funds was posted in table 4.3.1. The analysis shows that internal control procedures are effective on management efficiency with an aggregate mean of 3.9. Majority of the respondents were satisfied with the use of internal controls influence on management efficiency. Staff accounting skills play a key role in efficient management of schools and were rated highest with a weighted average of 4.07. However respondents rated lowest maintenance of books of accounts with a weighted average of 3.7. These results show that respondents perceive internal control procedures to be effective on management efficiency in schools.

4.4 District Education Office Staff Information

The study sought to collect collaborative information from the DEO's staff on their satisfaction level on the use of internal control procedures in public primary schools. The responses were as summarized in the table 4.4.1. District education office staff satisfaction levels on use of internal control procedures on aggregate had weighted mean of 3.4 representing moderate satisfaction level. The assertion that DQASO makes at least two visits termly to school for monitoring process and that the DEO, 'organizes frequent seminars to update SMCs on their roles in FPE Funds management', had a weighted mean of 4.0. However the respondents were least satisfied on the frequency of visits by the district audit team to schools in the process of collecting audit evidence' with a mean of 2.3. This confirms the information given by head teachers and SMCs chairpersons.

5.0 Conclusions and Recommendations

5.1 Conclusions

The study set out to assess the effectiveness of internal control procedures on management efficiency of Free Primary education funds in Kisii Central District. The first question the study sought to answer was to what extent are internal control procedures used in Public Primary Schools in Kisii Central District? To answer this question, the respondents were required to rate the extent of use, the frequency, satisfaction and effectiveness of the various aspects of internal controls such as maintenance of books of accounts, extraction of trial balance, computerized procedures, procurement procedures and staff accounting skills. For maintenance of books of accounts the study established that adequate books of accounts are maintained in public primary schools with an aggregate mean of 3.8 representing moderate extent level and that fairly often these books of accounts are updated. From this finding it can be concluded that maintenance of books of accounts as an aspect of internal control procedure is done to a moderate extent in public primary schools. It can also be concluded that information contained in books of accounts can be relied upon for decision making as it is updated fairly often.

On the trial balance extraction the study established that most public primary schools extracted it on half yearly basis as was revealed by 49% of the respondents. This is not in tandem with good accounting practice of monthly basis extraction. For delegating of responsibilities to staff the study established delegation of responsibilities to staff was satisfactory especially in stores control and custodial of receipts. The respondents were however less satisfied on delegation of book keeping with a mean of 2.9. The findings show that clarity in delegation of duties and responsibility influences positively management efficiency of funds in an institution.

For staff accounting skills the study established that public primary schools rarely employ staff with the accounting competencies with an aggregate mean of 2.5 representing least extent in the likert scale. This is in tandem with the respondents' low levels of satisfaction in delegation of duties to staff as regard to book keeping with a mean of 2.9. From the finding it can be concluded that timeliness in financial statement preparation and accounting staff performing their duties with minimal supervision is affected. Also it can be concluded that frequent training of staff on financial management improves management efficiency in public primary schools. On the use of computerized procedures the study established that most schools do not apply these procedures in book keeping, stores and budget management with an aggregate mean of 2.5 least extent level. It can be concluded from the finding of the study that schools not embracing computer use in public primary schools reduce the level of management efficiency.

In terms of procurement and stores control the study established these procedures are adequately used. For instance order, delivery and invoicing information matched up had a highest mean score of 3.15 indicating moderate satisfaction level from the respondents. The findings of this study reveal that adequate procurement procedures and stores control is an indicator of high levels of management efficiency. Generally the study indicated that internal control procedures were in use in public primary schools in Kisii Central District.

The second question the study sought to answer was; what is the level of management efficiency of FPE funds in Public Primary Schools in Kisii Central District? The parameters used were: annual school budgets, financial reports, and audit reports. The study revealed that, budgets to a large extent are prepared and approved to a satisfactory level.

The study also indicated that financial reports were generally effective in respect to accuracy, timeliness and decision making. It was also revealed that monitoring and supervision by District Education office was satisfactory. However visits by the district education audit office to schools were few. Generally the study established that to a large extent there is management efficiency of FPE funds in public primary schools.

Are internal control procedures effective on management efficiency of FPE funds in public primary schools in Kisii Central District? This was the third question. The study indicated that to a large extent various internal control procedures are effective on management efficiency with a mean of 3.9 satisfaction level.

5.2 Recommendations

The findings of the study have shown that use of internal control procedures improves management efficiency in schools. The study therefore recommends that school head teachers embrace and use internal control procedures in their resolve to efficient management. Schools achieving the goals of access to free primary education should appreciate the roles played by various stakeholders in monitoring and supervision of FPE funds and embrace them by working in co-ordination. The government should also increase its presence through capacity building in this sector.

The findings indicate that trial balance is extracted on half yearly basis. Primary school headteachers should consider extracting trial balance on a monthly basis as this would improve authentication of records in the books of accounts and this will be in tandem with good accounting practice of frequent extraction.

The study established that computerized procedures are seldomly used as an internal control procedure in public primary schools. Public primary school headteachers should be encouraged to fully adopt and integrate them into the school's internal control procedures. This will increase efficiency especially in recording of financial transactions and in preparation of financial reports. The findings of the study reveal that staffs accounting skills are low in public primary schools. School management in collaboration with the ministry of education should set funds aside to employ staff with the requisite competencies to help improve in book keeping and preparation of financial statements. Also the government to increase capacity building in financial management especially to headteachers and school management committees to make them effective in service delivery. The government could also consider employing additional audit staff to increase the collection of audit evidence for purposes of early detection and prevention of fraud.

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Table 1.1 FPE Disbursements in Kisii Central District 2007-2009

YEAR	ACCOUNT TYPE				TOTAL (SHS)
	SIMBA	(SHS)	GPA	(SHS)	
2007		52064550		32250125	84314675
2008		28740480		33272990	62013470
2009		21275246		32755730	54030976

SOURCE: Kisii Central District Education Office, 2011

Table 2.1 Vote heads

Account1:SIMBA Account	Account 2: General Purpose Account.
Ksh.650 for each pupil per year to all primary schools to be used to purchase :	Ksh.370 sent to all primary schools to support:
Textbooks	Support staff wages
Exercise books	Repairs Maintenance and Improvements
Pens	Support Activities
Supplementary readers and reference materials	Quality assurance
Pencils, dusters, chalk	Electricity Water and Conservancy
Registers	Postage
Charts and wall maps	Box rental and telephone

Source: Ministry of Education, May 2003

Table 3.1 Sample Size

Category	Target Population	Sample
Headteachers	132	57
Chairperson SMCs	132	57
District Education Officer	1	1
District Quality Assurance and Standards Officer(DQASO)	1	1
District Audit Unit Officer	1	1
TOTAL	267	117

Source: Researcher (2012)

Table 4.1.1 Extent of Maintenance of Books of Accounts

	Not at all	Least extent	Moderate extent	Large extent	Very large extent	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
Books of accounts	1	2	3	4	5			
Cashbook	0	12	78	128	210	106	428	4.0377
Ledger book	0	16	102	176	100	106	394	3.7169
Receipt book	0	0	66	216	150	106	432	4.0754
Payment vouchers	0	34	117	144	70	106	365	3.4434

Source: Field data (2012)

Table 4.1.2 Frequency of updating Books of Accounts

Updating Accounts	Not at	least	fairly	often	most	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	All	often	often		often			
	1	2	3	4	5			
Reconciling bank and cash accounts	0	72	132	60	55	106	319	3.0094
Payment of creditors and other payables	0	62	114	84	80	106	340	3.2075
Journalizing school transactions before posting to ledger accounts	7	64	120	64	55	106	310	2.9245

Source: Field data (2012)

Table 4.1.4 Satisfaction Levels in regard to Delegating of responsibilities to staff

elements of delegating	Least	Less	Satisfied	Very	Most	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	satisfied	satisfied		satisfied	satisfied			
	1	2	3	4	5			
Book keeping	6	60	123	80	45	106	314	2.9622
stores control	1	48	111	104	90	106	354	3.3396
custodial of receipts/ payments vouchers	4	54	129	88	50	106	325	3.0660

Table 4.1.5 Extent of use of Computerized Procedures

Aspects	Not at	Least	Moderate	Large	Very large	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	all	extent	extent	extent	extent			
	1	2	3	4	5			
Keeping accounting records	65	48	24	20	20	106	177	1.6698
Stores management	69	36	27	28	15	106	175	1.6509
Budget management	62	42	36	36	10	106	186	1.7547

Source: Field data, (2012)

Table 4.1.6 Satisfaction levels on Procurement procedures and stores control

Procedures		Not Satisfied	Least satisfied	Satisfied	Very satisfied	Most satisfied	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
1	2	3	4	5					
Order, delivery and invoicing information matched up		4	54	105	116	55	106	334	3.1509
Reconciliation of payable balances to supplier statements		7	44	126	92	60	106	329	3.103
Budgetary checks over expenditure headings		9	60	114	72	55	106	270	2.9245
Appropriate procedures for approving invoices for payments		6	56	126	72	60	106	320	3.0189

Source: Field data (2012)

Table 4.1.7 Extent of Use of Staff Accounting Skills

Staff accounting elements	Not at All	Least extent	Moderate extent	Large extent	Very large extent	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	1	2	3	4				
School employs staff with accounting competencies	19	128	30	32	25	106	234	2.2075
Financial management refresher course training	14	102	54	48	55	106	273	2.5754
Accounts staff perform duties with minimal supervision	16	96	60	60	35	106	267	2.5189
Timely prepare financial statements	0	102	114	56	15	106	287	2.7075

Source: Field data (2012)

Table 4.1.8 Levels of satisfaction on Monitoring and supervision of FPE funds

	Not satisfied	Least satisfied	Satisfied	Very satisfied	Most satisfied	$\sum f_i$		$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	1	2	3	4	5				
Education officers visit at least twice every term in school.	10	64	111	84	30	106	299	2.8207	
Organize frequent seminars/workshops on management of FPE	4	54	126	104	35	106	323	3.0472	
Consult with the Head teachers every time they visit the schools on FPE funds	0	36	147	136	25	106	344	3.2453	

Source: Field data (2012)

Table 4.1.9 Effectiveness of School Management Committees

Effectiveness Aspects	Least Effective 1	Less Effective 2	Moderately Effective 3	Effective 4	Most Effective 5	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$	
SMCs are constituted legally following the laid down procedures	2	12	105		192	75	106	386	3.6415
SMCS are frequently trained on management of FPE funds	16	76	96		48	40	106	142	2.6792
SMCS in liaison with the SIMSC always tender for instructional materials	18	68	90		52	55	106	283	2.6698
Understand their roles without overstepping their mandate	14	56	117		64	45	106	296	2.7924

Source: Field data (2012)

Table 4.2.1 Levels of management Satisfaction through Annual School Budgets

Budget parameters	Least satisfied 1	Less satisfied 2	Moderately satisfied 3	Satisfied 4	Most satisfied 5	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
All stakeholders are involved in budget preparation	0	56	123	96	60	106	335	3.1603
Budgets are prepared and approved on a yearly basis	0	16	120	136	70	106	342	3.2264
Budget estimates are strictly adhered to.	8	64	123	56	55	106	306	2.8868

Source: Field data (2012)

Table 4.2.2 Effectiveness of Financial reports

Financial Aspects	Not at all 1	Less effective 2	Fairly effective 3	Most effective 4	Effective 5	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
Accuracy	0	30	123	132	85	106	370	3.4906
Timeliness	0	36	135	112	75	106	358	3.3773
Decision making	0	24	87	128	165	106	404	3.8113

Source: Field data (2012)

Table 4.2.3 Frequency of Visit of the District Audit team to school

Rating of visits	Frequency	%Frequency
Not at all	36	34%
Least Often	58	54.7%
Sometimes	8	7.5%
Often	4	3.8%
Most Often	0	-
Total	106	100%

Source: Field data (2012)

Table 4.3.1 Effectiveness of Internal Control Procedures on Management Efficiency

Internal control elements	Least effective 1	Fairly effective 2	Effective 3	Very effective 4	Most effective 5	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
Approving and authorization documents	0	14	90	148	160	106	412	3.8867
Trial balance and reconciliation statement	0	16	60	160	190	106	426	4.0188
Procurement procedures and stores control	0	12	20	196	175	106	403	3.8018
Staff accounting skills	0	22	60	144	200	106	432	4.0754
Maintenance of books of accounts	0	24	72	192	110	106	374	3.7547

Table 4.4.1 DEO staff satisfaction levels on use of internal control procedures

Internal control elements	Not at All 1	Least satisfied 2	Moderately satisfied 3	Satisfied 4	Most satisfied 5	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
Maintenance of adequate books of accounts	0	1	1	1	0	3	9	3.00
The district audit team visit individual schools in the process of collecting audit evidence.	0	2	1	0	0	3	7	2.33
School budgets are prepared in time.	0	0	1	2	0	3	11	3.67
The District Quality Assurance and Standards Office make at least two visits termly to school for monitoring process	0	0	1	1	1	3	12	4.00
District Education Office organizes frequent seminars to update SMCs on their roles in FPE Funds management	0	0	1	1	1	3	12	4.00

Source: Field Data (2012)