Addis Ababa University



ADDIS ABABA UNIVERSITYCOLLEGE OF EDUCATION AND BEHAVIORAL STUDIESDEPARTMENT OF EDUCATIONAL PLANNING AND MANAGEMENT

PRACTICE OF FINANCIAL MANAGEMENT IN GOVERNMENT SECONDARY SCHOOLS IN AKAKI KALITY SUB CITY OF ADDIS ABABA.

BY

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PRACTICES OF FINANCIAL MANAGEMENT IN GOVERNMENT SECONDARY SCHOOLS IN AKAKI KALITY SUB CITY OF ADDIS ABABA.

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ACRONMYS ANDABBREVATIONS

ESDP	Education Sector Development Program
ETP	Education and Training Policy
GNP	Gross National Product
IIEP	International Institution for Educational Planning
MoE	Ministry of Education
MoFED	Ministry of Finance and Economic Development
ScFEDO	Sub city Finance Economic Development Office
PTA	Parent-Teacher-Association
UNESCO	United Nations Education, Scientific and Cultural Organization
USAID	United States Agency for International Development

ABSTRACT

The aim of this study was to assess and examine the practices of financial management of government secondary schools in Akaki Kality's sub city. Accordingly, among various research methods; the Descriptive survey *design* was employed in this study. This was done by considering the resourcefulness of the descriptive survey approach to get available information from respondents. *In this study quantitative and qualitative data analysis methods were used in order to answer the research questions. Questionnaires, Interview and document analysis were the data collection instrument tools for the study. The study involved a total sample size of seventy seven respondents. Four principals, twelve finance officers, forty four department heads, fourteen PTA members, and three finance officers from ScFEDO were used as main source of data. All participants were selected using available sampling techniques. Questionnaires were conducted with 72 participants and interview with 7 participants. Data analyses were made using descriptive statistical tools manly percentages were used. The findings of the study revealed that most respondents were aware of the existence of financial management problems in the school. Such as efficient utilizations of allocated budgets for intended purposes, the competence of financial personnel in the financial task was good, community contribution, schools internal income and NGOs were the sources of education finance in addition to the public budget. Public budget was allocated to schools based on the previous year's performance and the number of students in the schools, Schools have shortage of human resource in their finance offices absence of the participation of all staff members in budget preparation and financial activities absence of internal and external auditing practices, lack of training on budget preparation, accounting, auditing and reporting practices the standard of account office was poor and also lacks the necessary furniture and equipment's, the filling of financial statement in appropriate. Therefore, it was possible to conclude that, the above mentioned problems were affected not only the effectiveness and efficiency of financial management of the schools but also the whole process of educational activities. Thus, to improve the situation, it was recommended that, all concerned bodies, such as the addisa baba city education bureau, sub city education office, sub city public service, ScEFDO, and schools being together might be prepared enough training for the school personnel, and for concerned bodies in the field of financial management. Release the allocated schools budget on time, strengthening internal and external auditing in order to reduce the problems of financial management government primary schools.*

CHAPTER ONE: INTRODUCTION

This Chapter is deals with the introductory part of the thesis. This Includes; Back Ground of the Study, Statement of the Problem, Objectives of Study, Significance of thestudy, Delimitation of the Study, Definition of Terms and Organization of the Study.

1.1. Background of the Study

Finance is very important resource in everydayactivities of individuals and organizations in order to achieve the setting goals. Schools are organizations which are engaged in producing well trend and creative citizens who have potentials to build country in different aspects. So schools in order to achieve these and other related objective, they are used financial resources. Finance is a pillar of any organizations. When finance is wisely used, the success of an origination/an educational institution/ is achieved but when finance is not used wisely, the reverse becomes the case.

Finance is a key issue to get and utilize all important inputs and to run the task of education at all levels in appropriate ways. This is due to the fact that among the resources (inputs), finance is more commonly used by schools through a process and mechanism of budgeting (Melaku, 2000).School finances are used for the day-to-day running of the organization. It is very importance to note that every school principals needs to plan the school budget in order to achieve school objectives and for the effective management of finance.

Financial management is very important in any organizations especially in educational institutions/ schools/ because schools are working day and night to produce citizens who are capable of build and have capacity to develop country in all aspects in other word schools working in human mind. So that schools should be manage their financial resources in order to achieve their ultimate goals and schools principals also should have knowledge of financial management because financial management is the fundamental element on which the success of any organization depends. Based on this Bichoff (1997), stated that School Principals should have a basic knowledge and skills of financial management. This implies that when schools have strong financial management, they can be successful; in other hand if they are not manage their financial resources very well the reverse is true. No institution or school has ever succeeded in history without proper utilization of its resources. Since schools are educational institutions, like others institutions they have their own financial management system. School financial

management comprises the planning and implementation of a financial plan, accounting, reporting and the protection of assets from loss, damage and fraud.

Based on this different authors conceptualize financial management of organizations. Pandey, (1995) conceptualized it as that management activity which is concerned with the planning and controlling of an organization's financial resources. This means that financial management is concerned with decisions on how to produce, raise money, expand and give accounts of funds provided for the implementation of programmes of an organization or a school. School financial management is a fundamental to preparing and equipping school principals with financial skills and competencies that will enabled them to be responsible and accountable for funds that have been received for specific school objectives. It will also equip them with managerial skills and competencies that will enable them to make contribution towards the improvement of the overall productivity of the school.

In order to manage financial resources in addition to school principals, educational finance personnel should have deep knowledge about financial management because Personnel do a better job if they are assigned to areas where they have interest, preparation, qualification and experience (Clarke, 2007).All items of financial management are exposed to the risk of incorrect, improper and ineffective school management, which is particularly reflected in the accounting control of schools. Proper management of financial resources is very important in the management of education (Dash and Nena, 2008).According to the MoE, (2002a) Stated that school principals, together with their Parent-Teacher-Association, have the responsibility of taking care, controlling and protecting school funds and resources. The provision for school principals and Parent-Teacher-Association to become progressively more responsible for managing aspects of recurrent expenditure. It is obvious that the allocation of more finance and getting greater share of the government resource alone do not produce quality education and meet goals of the educational policy. As described in Melaku (2000) the most important factor that influences the attainment of the educational goal is effective and wise allocation, and utilization of available scarce resource, particularly finance. This effectiveness can be seen along with the development of decentralized financial management system (Merphet, 1987).According to MOE (1994), education helps to provide education that can produce citizens who have developed attitudes and skills to use and tend private and public properties appropriately and human beings to improve change as well as develop and conserve environment for the purpose

of all rounded development by diffusing Science and modern technology in to the Society and also it has great significance to understand and respect democratic and human rights. It is a prerequisite for personal development of an individual and economic development of the Society as well for the country.

The lack of usage of funds by principals often leads to shortage of critical resources in schools as money is not available for the purchasing of the necessary books, equipment and so forth. The planning of school finances usually begins with the drafting of a budget. Where budgeting is an ongoing and dynamic process that is typically marked by regular phases, such as, planning, needs assessment and priority setting. Budgeting is a forward looking process which should be guided by the school's vision for the future and a realistic assessment of the risks (Clarke, 2007 and Du Preez*et al.* 2003).The researcher will find out how financial activities are practice and assess the gap between the principles and the practice in government secondary schools Akaki Kality sub city administration. So that the major purpose of this study is to assess the financial management practices focuses on financial planning, financial controls, financial report and source of funding of government secondary schools of Akaki Kality sub city Addis Ababa: the case of Akaki Kality sub city and investigate the problems experience in managing finance.

1.2. Statement of the Problem

Proper financial and material utilization is an important aspect in educational organization. The success of any organization depends on the proper utilization of its key resources such as human, material and financial resources. According to Durbin (1989), resources are the only means through which organizational activities, production, service and satisfactory ends are attainable. For the achievement of organizational objectives, resources play the crucial roles particularly financial resource. Due to this fact, the emphasis on educational resources management and utilization in the educational institution is unquestionable. It is because of its importance that schools principals, financial planners and administration personnel spend much of their time to properly utilize and manage these resources especially financial resource. The fact is that financial resource is significant element towards achieving organizational goals and objectives. To this effect, educational administration requires the implementation of effective practice and efficient utilization of financial resources. Melaku(2010),also states that finance assumes greater importance in education. Expansion of educational systems and the provision of qualitative

education are greatly influenced by the amount of finance available to education, and by the extent to which the available finance is effectively and efficiently managed.

It is understood that financial resource is very limited, so it is important to manage and utilize the available resource efficiently so as to achieve the intended objectives of the organization. One of the tools in achieving this is improving the management and utilization of financial resources. Improving the utilization of financial resources contribute a lot for the provision of quality education. And also with this regards to financing public education in Ethiopia the Education and Training Policy suggested sufficient budget allocation and proper utilization of the educational budget for the intended purpose. It stated that "The financing of education must be Just, Efficient and Appropriate topromote equity and quality education of education" (MoE, 1994).One of the problem in public education is budget usually seems the problem of appropriate allocation, execution and control of limited financial resources. Moreover, the ability and capacity to keep the balance between the budget and planned activities to be accomplished seems also the other aspect of the problem. This means that lack of capacity in financial management will lead to the absence of quality of education.

It is observed that there is a problem of financial management in government schools. As indicated in ESDP III (2005), there was a problem of low budget utilization in civil works due to weak capacity of management. MoE (2006) also shows that there is weak administrative capacity of educational finance management. So that to enhance quality education, it is mandatory to make sure that the required finance is obtained on time and the existing financial resources should be utilized properly in schools. Hence, there is a strong need to create transparent system in schools that clearly indicates the sources of finance as well as its allocation and utilization. Implementation capacity is key instrument to guide the development process. However, inefficient utilization or implementation of the scarce financial resources tends to be the major problems of the education system.

The overall problems noticed in the utilization of financial resource in Government secondary schools are affecting the effectiveness of the entire educational operation. To this end, the problems require urgent solutions and measures to be taken so that effective and efficient utilization of financial resource come in to play. Accordingly, depending on the issues stated above the study attempts to address the following basic questions;

1. What are the main sources of finance in Government Secondary Schools of Akaki kality sub city?

2. What is the current status of financial management in terms of financial planning, and reporting in sample Government Secondary Schools of Akaki kality sub city?
3. To what extent are the educational financial resources audited in the Government Secondary Schools of Akaki kality sub city?
4. What are the problems observed in the process of school's financial management in the Government Secondary Schools ofAkaki kality sub city?

1.3. Objective of the Study

1.3.1. General objective

The general objective of this study was to assess the practices of financial management in selected Government Secondary Schools of Akaki kality sub city Administrative.

1.3.2. Specific objectives

The study is guided by the following specific objectives:-

1. To identify the sources of finance of Government Secondary Schools in Akaki kality sub city.

2. To investigate whether appropriate auditing system exist regarding on the Government secondary Schools' finance utilization in Akaki kality sub city.

3. To assess the current statuses of financial management in term of financial planning in Government Secondary Schools of Akaki kality sub city.

4. To identify the problems that Government secondary Schools encounter in managing their financial resources in Akaki kality sub city.

1.4. Significance of the Study

The purpose of this study is to investigate the financial management practice of government secondary school of Akaki Kality sub city regarding to financial planning, financial report, financial controls, and sources of funding and its finding uses mainly for school principals and it use for government bodies and other stakeholders because it will help to the school principals and responsible bodies infinancial affairs to have better understanding about the problems

offinancial management in secondary schools. The study is also interested in emphasizing the ability of schools in utilizing available funds in order to achieve the ultimate goals of the school.

1.5. Scope of the Study

The study was delimited to the Akaki Kality sub-city of Addis Ababa in four secondary schools of seven high schools. These schools taken as sample schools for the study because they were only pure secondary schools in the subcity. The rest three schools were combination of preparatory and secondary school managed under the same school leaders. And also to increase the manageability of the study in relation to time, financial and other constraints this study was delimited to four Government secondary schools of Akaki Kality sub-city. Moreover, this study includes the financial management activities such as: financial planning, financial controlling, financial reporting,auditing out of functions of management and Sources of finance of the schools under study.

1.6. Limitation of the Study

The limitation of the study was geographical location of secondary schools in sub-city. the schools were found very far apart each other, so that, this were because to budget and time constraints for researcher and shortage of reference materials also a factor that affect this research; However, the researcher were overcome these problems as much as possible and produced this research work.

1.7. Definition of Terms

Financial management: deals with the planning and controlling of financial activities; and this also refers to a process of efficient management of finance/ funds for achieving organizational goals (Kumar,2005).

Budget- A financial plan that set out anticipated revenues and/or estimated expenditure over aforth coming period of time typically one year (Maitlamd, 1996)

Finance-The management of money; a science which concerns itself with levying andapplications of revenue in organization (Simpson and Winer, 1989)

Secondary schools- are schools that offer formal education for grade 9-10 (MoE, 1994).

Practice: means doing financial activities regularly in order to be able to do financial activities better.

Principal: is head of school who has executive authority over a school.

1.8 Organization of the Study

The study has been divided into five chapters.

Chapter one introduces the study by focusing on finance and the financial management of schools regard to financial planning, financial report, financial control and sources of funds. The statement of the problem highlights the practice of financial management of secondary schools. The research's general and specific aims as well as the significance of the study are listed. Chapter two provides the theoretical framework for the investigation into the practices for the management of public secondary schools' finances. Chapter three focuses on the research design and methodology wherein the quantitative and qualitative data collection methods are explain and defense the data required for the investigation will be collected. Chapter four focuses on the results of the investigation that is the research findings.Chapter five focuses on the development of guidelines and strategies and makes recommendations for the efficient, effective and economic management of schools' finances.

Chapter Two: Review of Related Literature

This chapter describes some important topics on financial managementpractices in education especially in secondary schools. The main topics include in this chapter are: the concepts of financialmanagement, financial management in education, scope of financial management , function of financial management, financial management cycle, school base financial management, theoretical framework of finances, budgeting, financial accounting, financial controlling and auditing, the sources of finance in schools and the role of stakeholders in financial management.

2.1. Introduction

Financial literature suggests that optimal application and commitment towards financial management practices result in an increased performance of institutions. According to Hunjra, 2010, the financial well-managed companies are operationally efficient. This chapter takes a critical look at the concepts of management, financial management, Functions of Financial management in Education, financial planning/budgeting, Financial Controlling, financial reporting Auditing, Sources of Finances in Schools.

2.2. The Concepts of Financial Management

Financial Management is described by different authors in many ways. The followings are some of the explanation provided by certain known authors. According to Dixon (1986), Financial Management can be defined as the process of planning the provision, generation and conservation of financial resources. The Financial management must perform a number of functions as part of the general management function. Hence, the two basic functions of Financial Management functions are Financial Planning and Financial Control. The direction coordination and control of the expenditure of the funds and accounts for all funds that are received and spent within an organization are part of the management process (Mbamba, 1992).So that; Financial Management is an operation where an organization ensures that available funds are used for the achievement of its objectives. It is concerned with the implementation of management decision of various activities and administration day today transactions.

Brockington (1993) defined financial management "as that part of the total management function which is concerned with the effective and efficient raising and use of funds". Pandy(1995)

conceptualized it "as that management activity which is concerned with the planning and controlling of an organization's financial resources". VanWyk (2004) states that the objective of financial management in the public sector is to support management in the allocation of limited resources with the purpose of ensuring economy and efficiency (and effectiveness) in the delivery of outputs required to achieve desired outcomes that will serve the needs of the community (school).Financial management deals with the planning and controlling of financial activities; and this also refers to a process of efficient management of finance/ funds for achieving organizational goals (Kumar, 2005).

In educational institutions, financial management refers to that management activity that is concerned with decisions on how to procure funds, of an organization's financial resources, disburse and give account of funds provided for the implementation of educational programmes.

Financial management is a system which studies the varies sources of income, areas of expenditure; it decide priorities, and meets expenditure on priority areas within the allotment received; it ensures efficient use of financial resources for management of human and material resources for accomplishment of predetermined objectives (Dash and Nena,2008).

Financial management processes, such as financial planning, budget evaluation, controlling, accounting and costing are applicable in financial management in education. Thus, it follows that financial management in educational institutions deals with raising funds from internal and external sources and ensuring its allocation to various educational activities or programs; monitoring the flow of funds (financial transaction) to the institution's activities and programs. Financial Management Clarke (2008) describes financial management as follows: It is essential that the (school) principal makes sure that she / he has the knowledge and understanding of the basic processes involved in managing the school's accounts, the budgeting process and the systems and controls that are necessary to ensure that the school's monies are not misappropriated.

2.3. Financial Management in Education

The education sector like any other sectors needs to have financial management system. It serves as important instrument that enables the teaching and learning process to properly proceed so that the goals and objectives can be achieved. The sector requires effective and efficient fund

raising mechanisms and its own rational process for effective utilization of the fund generated for the betterment of education programs and realization of educational aims. Thus, the financial management in education as part of the general management function has to perform number of functions, primary financial planning and financial control (Lavacic and Keynes, 1989).

According to Adesina (1990), the fundamental principle in school finance is not how much money goes into the school system but rather how well the available funds are effectively put in to use. This requires to plan for generating funds and for expenditure as to utilize funds efficiently. Thus, planning as essential part of financial management enables to efficiently utilize the available education finance for the effective achievement of desired goals and objectives of education. Lavacic (1995) lists the steps of financial management for the effective utilization of education finance as "First stage is the acquisition of resources, second stage is the allocation of resources and planning the budget, third stage is implementation and the fourth stage evaluation of the budget plan."

Although the concept of financial management system in public education is not much different from the general financial management system, there are some characteristics of educational finance management. Mbua (2002) states, "Usually the way of financial management operates in practice largely depends on the organization and other related aspects (such as accounting systems used) of the national and local education system, as a result the practices of centralized and decentralized educational systems are likely to differ.

According to EI-Ghannan in Mbua (2002), Educational authorities have secondary role in making major decision on education finance. This is because it is the Ministry of finance that is responsible for the provision of required funds and for development of funds and services. High degree of centralization in the management of education finance also characterizes financial management in education. In such cases, education authority has details of resources of finance and draws up estimates of education expenditure and determines allocation by level, sectors and certain items in the budget. Hence, freedom left to local authorities is limited.

As the same author, poor regulation between management sides of finance and technical aspect of education is the most serious problem faced by educational administration. That is, there is a divorce of world of finance from the world of instruction. This is because the management of education finance is in the hands of specialists in finance concerned with accounts, books and balance sheets having little contact with educational process. However, the technical aspect is

typically the responsibility of an educational graduate. Hence, the two rarely meet in any meaningful sense and do not understand each other's point of view. According to EIGhannanin Mbua (2002), lags in the flow of money to the users of the education sector, concern with financial inputs rather than with the relation to educational outputs and the lack of efficient personnel are among the features of financial management in education.

Financial Management in education is concerned not only with acquisition of the financial resources but also securing of the resource obtained from different sources and making a sound decision to properly allocate and utilize for the effective attainment of education goals. Since financial decisions in education are crucial to education system, setting up a sound and efficient organization for the finance is very essential. Management functions on finance require certain skills. As Bateman and Zeithmal (1990), three management skills are found to be important for financial management of the organization: the technical, human, and conceptual. The technical skill refers to the ability to perform specialized financial tasks such as budgeting, accounting, reporting and the like requiring certain methods. The human relation skill is the ability of working with people. The conceptual skill on the other hand is the manager's ability to recognize complex and dynamic issues to identify factors the financial management in an organization.

The human resource in the financial management in education system is a pivotal issue to be considered. This is because the effectiveness of financial management depends on the quality and skills of the staff in the organization. Thus, the lack of financial resource is not the only constraint that impedes the achievement of educational goals and objectives. Caillods and Hallack (2004) state: "As much of lack of finance, a lack of capacity to design, plan, negotiate, manage funds and coordinate different actions and actors at ground level is a reason behind for the low implementation of objectives."

2.4. Scope of Financial Management

The scope of financial management also refers to the specific areas of financial management. They include: The procurement and raising of funds, The allocation of financial resources to different educational institutions, The effective utilization of funds, Supervision of cash receipts and payments and Safeguarding of cash balance.

2.5. Functions of Financial Management

Management accounting is essentially a part of management decision making. It helps managers with decision making in the following areas: planning (what to produce and how best to meet the

objectives of the organization), control (to ensure that the outcomes correspond to those planned), decision making (to decide between alternative courses of action by evaluating the consequences), measuring performance or to decide if it matches the expectations set out in the plan and to take corrective action. The two principal functions (financial planning and financial control) comprise the following specific functions of financial management in education institutions. These are planning and programming of activities to achieve the desired educational goals. Financial reporting relies on accurate and complete financial recording keeping. The accounting system of the school should be comprehensive, so that the preparation of annual financial statements can be used for financial analysis (Bischoff and Mestry, 2003). Financial management deals with the planning, and controlling of financial activities. Financial management assists an organization's operations management to reach its financial resources. It also assists in the reporting of financial results to the users of financial information.

2.5.1. Financial planning

Planning is a vital component of effective school financial administration (Du Preez*et al.*, 2003). The planning of School finances usually begins with the drafting of a budget(Kruger, 2005).According to Bisschoff (1997), in an educational organization its financial management activity means bringing all possible input from staff, parents, students and the community together to render the service of quality education.

Financial planning takes into account the current financial position of the organization, its immediate and long-term financial needs, and the risks in any alternatives being considered.
As in any management planning, provides the base and orderly approach to future actions. It is the method of deciding what do with money at hand and to do it. In general this attempt leads to compressive programming and budgeting of future operation.

Financial management particularly concerned with the planning, acquiring and efficient use of funds (Chadwick, 2002).The main concern and focus of financial management in nonprofit institution like education is ensuring the proper use of financial resources through planning, budgeting and controlling. That is, in schools, one of the principal financial management functions is financial planning (budgeting).

2.5.2. Financial control

Financial Control Function: As with any management control, assigns organizational responsibility for the implementation of approved plans. It involves the monitoring of actual transaction events against the plan taking prompt action, where there is deviation from the plan, the control function takes appropriate measure either to improve performance or revise planned target in terms of cost and output. Management control is an internal financial management function that deals with controlling the proper flow of cashes to programmed /per determined cost unit and activities. In the same way public organization have similar requirements that are to plan for activities, prepare budget to carry out activities and reporting to the stakeholders that account systems are established on the use of public funds and audits are done.

2.5.3. Financial monitoring and evaluation

Monitoring is the continuous or periodic review of a programme or project to assess problem areas and recommend remedial actions (Arikawe,2009). Budget monitoring is thus a continuous process of "*keeping a check on the difference between the planned financial status at a given time and the actual financial status at that time*" (Du Plessis, 2012). Shapiro (n.d.2:24) describes budget monitoring as a "*continuous process by which we ensure the action plan is achieved, in terms of expenditure and income*". These pronouncements on what budget monitoring is, imply that budget monitoring compares actual expenditure and income against estimated income and expenditure (Mestry & Bisscoff, 2009). According to Mestry (2006), monitoring refers to the exercising of power in a transparent way and thus involves who should be accountable for what was or what should be done. This also means as espoused by Mestry (2006) citing Department of Education (1997), that monitoring is a joint process of accountability in which all members of the SGB have an equal right to participate and give their own opinion.

Evaluation is a process which attempts to determine as systematically and objectively as possible the relevance, effectiveness, efficiency and impact of activities in the light of specified objectives (Chadwick,2002).Financial planning alone would not suffice to bring about desirable result, unless modern techniques of monitoring and evaluation are applied. As mentioned by Corbally (1997), the three important procedures which are helpful for assuring of the legality, accuracy and efficiency of financial resources are accounting, auditing and reporting. Accounting involves complete and accurate recording, classifying and summarizing of all the financial facts or transaction from this it is possible to understand that accounting help in a better analysis of

financial facts. The importance of accounting and its necessity is well expressed: Accounting is essentially the maintenance of records of the receipt and expenditure transactions of an enterprise accounting creates a running record of the fiscal affairs of an enterprise and should enable to financial position to be ascertained at any time.

2.5.4. Financial Reporting

A summarized and analyzed report of accounting information plays important role in an organization. It makes communication to be effective and efficient and enables to investigate the existing situation and to take relevant and timely administrative action. Performance reports are a form of feedback to managers directing their attention on problems or opportunities that might otherwise go unnoticed (Garrison, 1991).

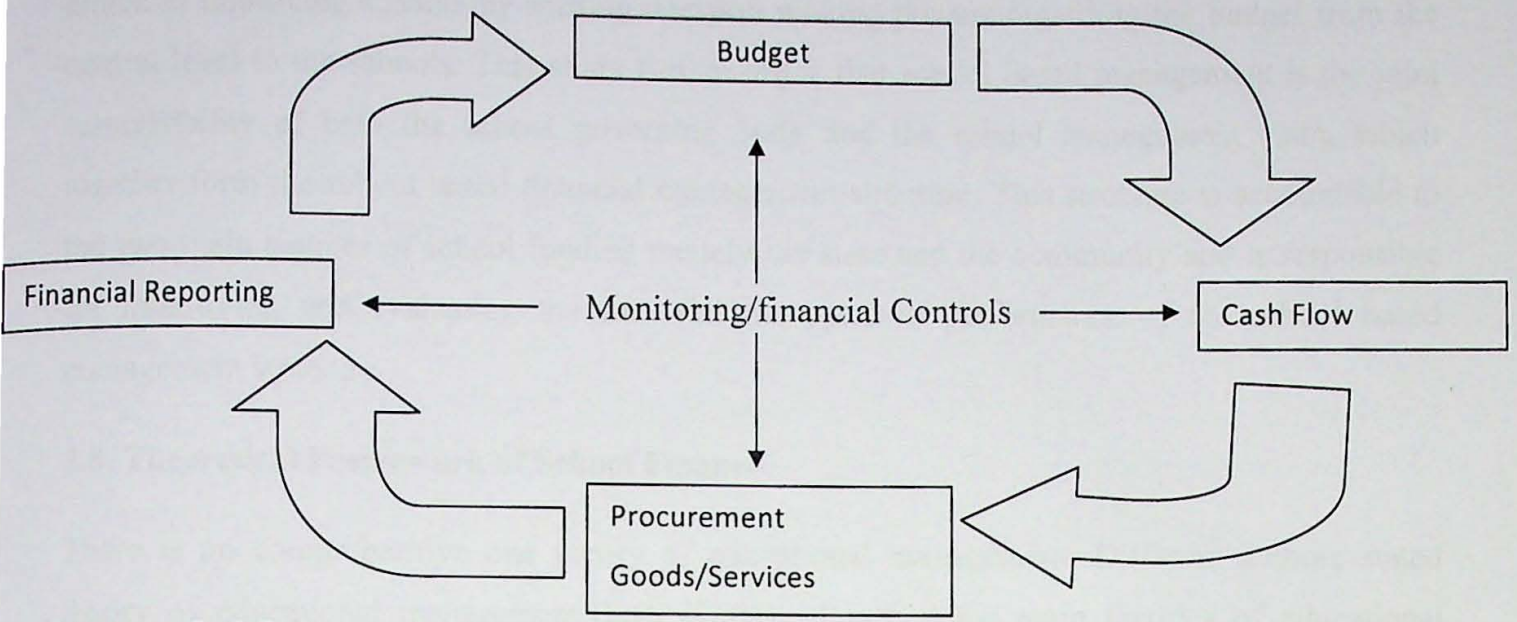
As Jordan and others (1985), there are three levels of financial reports prepared by local institutions: The comprehensive financial report prepared annually comprising all financial statements, the general purpose financial statement prepared monthly or quarterly and The popular report summarizing date contained in the comprehensive financial report into format that is easily understood by the public and that may contain graphs and figures to enable reading.

In the ESDP III (2005), it is emphasized that quarterly, semi-annually activity and annual financial performance report to be produced at every governmental level of Ethiopia. As the document, among issues concentration is given in the report is information on actual capital and recurrent expenditure. The quarterly report is mainly to serve the day-to-day management purpose at implementation level. The semi-annual and annual reports will be the main source of information on progress and achievements of the entire program as compared to plans.

2.6. Financial Management Cycle

There are several ways to describe an organization's financial management cycle. Some analysts tie financial management to receiving income and reporting income and expenditure to organizational policy makers and to donors. The diagram in Figure 1 below takes a more functional approach, drawing key functions to managers' attention before they focus on financial management. The module emphasizes the four critical aspects of financial management depicted in each box, helping managers to understand the importance of monitoring and institutionalizing financial controls.

Figure 1: **Financial Management Cycle**



Source: Pathfinder: series-2organizationmanagement; financial managementmodule-3; Page-1(ND)

2.7. School Based Financial management

Financial management as it relates to schools is defined as "*the performance of actions (regulatory tasks) connected with the finances of a school, with the main aim of achieving effective education, carried out by a person in a position of authority*" (Metsry & Bisschof, 2009). School financial management can thus be seen as serving a purpose of taking control of educational outcomes as a result of a variety of tasks that must be performed in different areas (Conradie, 2002). Similarly, Joubert and Bray (2007) describe a school financial management as the performance of management actions connected with the financial aspects of a school for the achievement of effective education. The common factor in these definitions of financial management is that a connection is made between the management tasks and the financial aspects of a school. The implication is that the management of school finances involves the task of planning (budgeting), organizing (coordinating), leading (communicating and motivating), as well as controlling (auditing) (Clarke 2007).For this reason, and for purposes of this study, school financial management is regarded as a management task performed with the authority of the school governing body and aimed at making use of school finances to achieve effective education, and focuses therefore, on budget control and monitoring as dimensions of taking charge of educational outcomes through balanced and accountable use of finances.

According to Raywindin Marishane and Botha (2004) school based management as a mechanism aimed at improving schools by shifting decision making powers regarding the budget from the central level to the schools. This study further argue that school based management is the joint responsibility of both the school governing body and the school management team, which together form the school based financial management structure. This structure is accountable to the two main sources of school funding namely the state and the community and is responsible for monitoring and evaluating the financial management performance of the school based management structure.

2.8. Theoretical Framework of School Finance

There is no comprehensive one theory of educational management. Different authors stated theory of educational management.Bush (2004), classified the main theories of educational management into six major models of educational management: formal, collegial, political, subjective, ambiguity and cultural. Principals possess authority legitimized by their formal positions within the schools and are accountable to school governing bodies for their activities. Formal models give prominence to official structures, rational processes, the authority of leaders and accountability. These may be linked to the school management tasks identified by Clarke (2007), namely planning, organizing, leading and controlling. The administration of school's finances is an integral part of effective school administration (Mestry, 2004 and Ntseto, 2009). Planning is a vital component of effective school financial administration (Du Preez*et al.*, 2003). The planning of School finances usually begins with the drafting of a budget (Kruger, 2005).According to Bisschoff (1997), in an educational organization its financial management activity means bringing all possible input from staff, parents, students and the community together to render the service of quality education. This study further stated that leadership in financial management involves three aspects: sound relationships communication with all stakeholders and internal as well as external and motivation of all the people concerned with school finances. In addition, the study revealed that harmonious collaboration between academic and administration staff is a prerequisite for successfully achieving financial objectives. The study argues that good communication will ensure that each staff member who is involved in school finance would be informed about authorizations for various expenditures, is knowledgably about the financial procedure for expending money, and knows to whom the results of the expenditure should be reported. Overall, the study emphasized that all staff

members should feel that they have a role to pay in all of the school's activities, as this will motivates them to work hard and consequently achieve effective and efficient financial administration, which can be deduced that the same relationship exists between the budget and control since a budget is planning instrument.

According to Kruger, (2005) and Ntseto, (2009), organization of School finances should include aspects such as drawing up a school financial policy, setting up a structure within the School to handle administrative and financial matters, delegating certain functions to clerks, class teachers and treasurer and coordinating activities. In addition, Niemann(1997), believed that financial activities are dealt with most effectively when both the administrative and academic personnel are involved in the process. Communication is the basis for establishing relationships and for providing motivation. The financial planning of school finance and its control are interdependent and closely linked with each other (Ntseto, 2009). This study further defined financial planning, financial control, financial report and sources of finance as it deals about financial management.

2.9. The Concept of Budgeting

The budget is the financial statement of the proposed expenditure and expected revenue of the government, public corporation, or educational institution/school/ for a particular period of time. The budget usually covers a period of one year. Concerning this Budgeting is defined by several authors in many ways. Roe (1961: 81) has defined educational budget as: The translation of educational needs into a financial plan which is interpreted to the public in such a way that when formally adopted, it expresses the kind of educational programme, the community is willing to support financially and morally, for a one-year period. According to Knozevich (1969), budget is the heart of fiscal management. Through the budget the government can approve and determine the expenditures of the school system. Since the budget is the fiscal interpretation of the educational program, reducing the proposed expenditure or refusing to approve the procurement of receipts stipulated in the budget are highly affect the quality and quantity of educational services provided in the country. The budget must be regarded as the fiscal translation of the educational program. Sooner or later everything we desire to do in public education must be translated into its financial equivalent. Reducing proposed expenditure or refusing to raise necessary receipts has more than mere monetary significance.

Morphel, Johns and Reller (1974) have on the other hand defined school budget as an educational plan with an estimate of the receipts and expenditures necessary to finance it for a definite period of time.

Adesina(1981) had defined a school budget broadly as an outline of the plan for financing the school programme for a given period. With regard to time, budgets two features; the short term and the long term which serve different purposes (Levacic and Keynes, 1989). As these authors the short term budgets are annual budgets that break down in to quarterly, monthly or even weekly periods. It has merits of its own that management can monitor progress throughout the year and take corrective action as soon as possible rather than to wait until the end of the year. Management can also extract information during this period to adjust current budget for remaining period if changes are found. As the same authors, the long term budget relates to the development of a project or program over many years. A period between three andten years may appropriate for it. Budget plan preparation requires a collaborative and integrated effort so as to enhance efficiency and effectiveness in the education system.

Ukeje, B.O; Akabogu, G.C. and Ndu, A(1992); they gave the definition of education budget in the following form:*Educational budget is the translation of educational needs Into financial plan which is interpreted into the public in such a way that when formally adopted it expresses the kind of educational Program the community is willing to support financially and morally, For a one year.*

According to Pandey, I. M. (1995) the basic features of a budget are the following. It is a comprehensive and coordinated plan. It is expressed in financial terms. It is a plan for the organization operations and resources. It is a future plan for a specified period. Therefore, a budget is an agreed plan for future action. It is quantitative expression of a plan of action prepared in advance of the period to which it relates. On the other hand, as Forojalla (1993) pointed out the budget constitutes the principal instrument with which the authorities of an education system (national, regional, local or municipal government) express their priorities in terms of a plan objectives and overall policies. Budgeting also offers management the opportunity to examine in detail both the general situation of the economy the economic inter-relationship among all the education systems' various activities.In one sense, the budget can be regarded as an expression of the educational hopes and aspiration of the people. It is by nature future oriented.

Levacic(1995);also state as budget planning requires a well-orchestrated and lengthy cycle with active participation of staff, governors where by educational aim and objectives are then coasted and budgeted for. Thus, the budget is a fully integrated into school corporate and development planning which consists of a medium term strategic plan and short term action plans. The budget normally gives the income and/or the expenditure, including any capital expenditure, needed during a financial period to achieve the given objective (Jill and Roger, 1999).likewise Prasanna (1999), stated that budget is an instrument for detailed operational planning and control over a short period of time, usually one year.

Stesis*et al.* (2001), budget is a control mechanism to assure accountability, financial integrity, and legal compliance; a management tool to achieve operating economies and performance efficiencies; and a planning component to assess the overall effectiveness of government programs in meeting public service needs. Budget is a plan of management's intentions of attaining specified objectives.

Chadwick (2002), budget is a plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure and capital to be employed. A budget is a financial or quantitative statement prepare in advance of a specified accounting period.

Croft *et.al.* (2002), budgets are forecasts that specify the financial resources which have been allowed to an organization's activities or to the achievement of its objectives for a given period of time. A budget is a document that translates plans into money –money that will be needed to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done or income (www.civicus.org.). A budget is a tool for both planning and control.

Abdela (2006), budgeting is the process whereby the plans of an institutions are translated into an itemized, authorized and systematized plan of operation, expressed in to dollars, for a given period. Budgets are the blue prints the orderly execution of program plans; they serve as a control mechanisms to match anticipated and actual revenues expenditures.

Ntseto(2009), School financial planning is the task of the principal who has to see that the school's purpose, mission, goal and methods of attaining these are clearly understood by all the stakeholders at the school. It is the functional elements of the principle that predetermines what

the school proposes to accomplish. From all the above definitions, we can deduce that It shows clearly the expected income and proposed revenue of government or in our case, an educational institution for the coming year.

As the above different authors explain about budget and budgeting, it is possible to say that budget is: A plan for financial operation which includes an estimate of proposed expenditure for a given period of time and a proposed a means of financing expenditures, a systematic plan for the efficient utilization of man power, materials, or other resources and a financial plan which serves as a pattern for and control over future operations of an educational institutions.

2.9.1. The Purpose of budgeting

According to Dlabay and Burrow (2008) Budgets serve as a road map for monitoring business activities and performance. If a budget is established for a period of six months or a year, the specific items in the budget can be monitored during that time to see if the financial results of company operations are matching the budgeted amounts. If not, managers can determine what has occurred that is not consistent with the planning used to develop the budget. The budget is used to do several things (Forojalla, 1993). Such as: It is used to plan for cash receipts and expenditures in most education systems in countries, the education services, like all other units of government, operates with in a fixed amount of budgeting budgetary allocation based on plansand needs. This is an apportion budget. Any additional amounts required above such allocation can only be incurred through a supplementary budget allocation.

The budget is used to plan for debt repayment and the efficient use of cash. The general cash fund in most counties is held by the ministry of finance at the national or regional level or the sub-treasury at the local government level; and its proper operation is the sole responsibility of the finance ministry under the guidance of the national or regional political leadership.

The budget usually covers one academic year and should include receipts and expenditures for both the previous and current financial year and estimates the following fiscal years. The budget should also project receipts and disbursement on a monthly, quarterly or half-yearly base is depending on the rate of cash flow and out flow from the reservoir or general funds in the treasury.

The school budget has been described as having many purposes to save both in defining the programmes and activities of the school system in terms of the money to be spent and in terms of

money to be derived from diverse sources. Adesina (1981) lists five purposes of a budget as follows: First, the school budget forecasts the activities, services and programmes, which an appropriate governing council (e.g. Board of Governors) has approved for a given period, usually a one-year period. Secondly, the budget shows what revenue is to be anticipated and from what sources this is to be derived. Thirdly, the school budget shows details, statements and estimates of expenditure for various items of the school system as a whole. Fourthly, the school budget shows what other contributions and pressures on the budget that are anticipated during the financial year, example, the pressure of inflation and how the school intends to raise more money over and above its original budget or how it intends to adjust itself to the situation. Fifth the school budget must be prepared in such a way that it can be executed by anyone, even from out-side the school system. In this way, the school budget aids the administration of the school programme in accordance with anticipated financial plan.

2.9.2 Types of Budgets

According to Forjalla (1993), there are basically three major types of budgeting used in planning the flow of funds into and out of the general cash flow available to government, they are explained below:

A. The Line-Item Budget or Function-Object Budget

The basic feature of a line-item budget is the breakdown of the budget items or objects salaries, supplies, equipment, services and so forth and their distribution or classification according to purpose administration, instruction, student welfare, adult education, etc. This approach to budgeting is sometimes also referred to as input budgeting, as the budget is prepared on the basis of resource inputs. The basic components of educational expenditures in many African countries are generally arranged on this basis under the following functional sub-heads (Forojalla,1993). Such as: Personnel emoluments (salaries, allowances, insurances and super annulations),Other charges or running expenses, like travel and transport of personnel, purchase of goods materials, services (water, electricity, etc.) and repair and maintenance of buildings, and equipment and Capital expenditure. As Jeilu (2009), the line item budget is also referred to as object function budget where an object budget is a listing of the objects of expense such as salaries, supplies and the like while a function budget classification lists of estimate of expenditure in terms of the purpose for which they are made: administration, instruction and adult education and etc. Line item budget is a better tool for fiscal control than it is for fiscal planning.

B. Program Budgets of Planning, Programming, Budgeting (PPBs)

As described by Forojalla (1993), the program budget entails setting forth certain major objectives, defining programs essential to these goals, identifying resources to the specific types of objectives and systematically analyzing the alternatives available. PPBs involve an analysis leading to the choice of the preferred mix of a set of proposed projects. It requires decisions like: qualitative discussion of some of the more relevant non-quantitative issues involved in the decision, example: political factor etc. a program budget provides for determination of the costs of program goals and objective. This can be used to compare the costs and advantages of competitive programs. The PPBs differs from the line-item budgets, which despite its degree of retirement and sophistication, is essentially no more than a descriptive tool, in that it aims at examining alternatives.

C. Zero-Base Budgeting (ZBB)

Zero-base budgeting in its correct context refers to a general management tool that companies can use to improve planning, budgeting and operational decision-making with it, managers can re-assess their operations from the ground up and justify every dollar spent in terms of current corporate goals. This means that instead of staying within the same budgetary structure year after year, mangers can make major allocations of resources from one year to the next, Thus, ZBB does not build up on the previous year's base. Instead the budget begins at a decreased expenditure or base zero (Forojalla, 1993).

2.9.3. Budget Preparation

In budget preparation the following questions should be raised who prepares the budget or who should prepare the budget. The first point to note is that the head of the educational institution, the finance officers, the academic and administrative staff should collect the necessary data that will constitute the income and expenditures of the institution for the financial year. Adesina (1981) identifies three major plans involved in the provision of the budget, namely:(a) The education plan, which defines the policies of the school, Its programmes and activities as well as other educational services to be carried out.(b) The expenditure plans, which translates each educational programme, or service into cost.(c) The financial plans, which sets out the means of meeting the cost of educational programmes and services. As Adesina (1990), in preparing the budget plan, it is necessary to state that problems are faced in securing funds, if any. Non availability of funds, or delayed payments affect the administration of the school system. The

common complaints as the author, are teachers' salaries, are delayed, approved funds are sometimes reduced and that other capital recurrent grants take a very long period to release.

2.9.4. The Budget Process

The budget process as acknowledged by Ezeocha (1990) is inevitably a time consuming one. It involves an elaborate working out of all the estimated revenue and expenditure section by section, item by item in greater details. Essentially, the budget process involves the following:(a) Careful study of the educational needs of the school and estimation of the revenue that will be necessary to meet these needs.(b) Planning and procurement of the necessary revenue to implement the educational programmes agreed upon. (c) The determination of the revenue that will be available to execute the educational programmes.(d) The determination of the ways to allocate the available revenue in such a manner as to avoid friction, duplication and waste. Likewise, different authors also state about the budget process in an organization. As a study by Prasanna(1999) stated that the process of budget determination involves a great deal of negotiation between the subordinate and his superior at various levels in the organization. Budgeting then, forces the administrator and staff to plan together what needs to done, how it will be done, and who will do it. Budgeting in an organization is a systematic design for planning, allocating, and controlling the use of resources (Koteen, 1989). Budgeting is a forward-looking process which should be guided by the school's vision for the future and a realistic assessment of the risks (Clarke, 2007).as the above different authors mention, the budget process of government schools also follow the same manner. But most of the times this process will not be managed properly due to may be lack of knowledge, structured operations and participating stakeholders.

2.9.5. Budgetary control

According to Kumar (2005), the term budgetary control is applied to a system of management and accounting control by which all operations and output are forecast as far ahead as possible and actual results, when known, are compared with the budget estimates. The establishment of budgets relating the responsibilities of executives to the requirements of Chadwick (2002), actual with budgeted results, either to secure by individual action the objectives of that policy ,or to provide a basis for its revision.

When the revision of the original budgets where circumstances show that amendments are required to make them appropriate and useful. The recognition throughout the organization budgetary control is a management activities and not an accounting exercise. An information

system which is provides data for managers so that they can make17realistic predictions. Correct integration of budgets and their effective communication to managers. The setting budgets are reasonable and achievable. The participation of manager in the budget control system. Educate and train of managers in the development, interpretation and use of budgets.

2.9.6. Budget Monitoring and Control

Budget Monitoring compares the actual expenditure against estimated (Knight, 1993).Monitoring the budget by comparing planned receipts and expenditure month by month with those which actually needs to be undertaken so that budget manager can make adjustments to the budget as new events and information unfold (Levacic, 1995).As Knight (1993), Budget monitoring need not be confined to the expenditure. It can also be monitoring income, capital, or project expenditure and cash flow. Monitoring expenditure is mainly undertaken through regular budgetary tabulation. Thus, budget monitoring enables to make adjustments to the budgets using information obtained while comparing the actual expenditure with already planned.

2.10. Financial Accounting

According to Dlabay & Burrow (2008), the study of finance provides information to individuals, businesses, and organizations on how to rise, allocate, and use monetary resources. Financial planning takes into account the current financial position of the organization, its immediate and long-term financial needs, and the risks in any alternatives being considered. Both accounting and finance are involved in helping individuals and organizations make effective financial decisions. Some people think accounting and finance are essentially the same. There are major differences, even though both are important in effective financial management. Accounting is responsible for organizing a system of financial records, recording financial data, and preparing, analyzing, and interpreting financial statements. The financial records and financial statements must be timely, and they must be free of errors and bias. And different authors also defined financial accounting: Condoli and others (1984), state that accounting is recording and reporting activities and events affecting personnel, facilities, materials or money of an administrative unit and its programs. Hermanson and et,al (1989) ,also state that accounting is the methods and records established to record, summarize, process and report an entity's transactions and to maintain accountability for related assets and liabilities. Accounting provides useful financial information that enable to make a sound decision. The accounting system provides a history of speeding and may be used to evaluate how the plan developed in the budget document is proceeding (Ubben and Hugbess, 1997).

As Mengistu (2008), accounting is defined as: to rescored, summarize, report, and interpret economic data for use by many groups within our economic and social system.Financial accounting is concerned with the recording of transactions for a business or other economic unit and the periodic preparation of various reports from such records. The reports, which may be for general purposes for special purpose, provide useful information for managers, government agencies and the general public of particular importance to financial accountants are the rules of accounting, termed "Generally Accepted Accounting Principles (GAAPs)" (Mengistu, 2008).

Generally Accepted Accounting Principles (GAAP) guides the work of the accounting profession. In the U.S., Generally Accepted Accounting Principles are developed and enforced by the Financial Accounting Standards Board (FASB). Accountants must also follow the accounting rules and regulations of each country in which a business operates, as well as the International Accounting Standards (IAS), when applicable. *Finance* refers to saving, investing, and using money by individuals, businesses, and governments. Finance is broader than accounting and consists of three interrelated areas. *Money and capital markets,* which deals with determining monetary needs and obtaining adequate capital and cash, *Investments,* which focuses on analyzing and choosing among investment alternatives while considering returns and risks and *Financial management,* which applies management principles to financial decision-making for organizations One way to look at the difference between accounting and finance is that accounting focuses on history and finance focuses on the future. Accountants analyze the financial performance of individuals, businesses, and organizations to determine what happened. Finance, on the other hand, uses historic and current financial information to predict and plan for the future. Both are essential to effective financial management. Decision-makers must understand the financial past to plan for the financial future. According to Davies and Boczkd (2006), the original, basic purposes of accounting were to classify and record monetary transactions and present the financial results of the activities of an entity. To look at the current nature of accounting and the broad purposes of accounting systems it is needed to consider the three questions these days generally answered by accounting information, how are we doing, and are we doing well or badly?, Which problems should be looked at? And which is the alternative for doing a job? This study further described that accounting uses the bookkeeping system within an organization, which deals with how data is identified, recorded and presented as information in the ways required by the user of financial information.

According to Crowther (2004), the key functions of financial accounting are: meeting statutory requirements, record keeping, production of final accounts and the raising of finance. Similarly, Greg (1999), described that financial accounting directly or in directly affects decision making, planning, organizing, communicating, influencing, coordinating and evaluating in the process of evaluating to operate effectively.

2.11. Financial Controlling and Auditing

To this end, Mestry and Bisschoff (2009) contend that controlling relates to safeguarding funds and ensuring that they are spent as authorized. The aim then of budget control seems to be tied to applying corrective measures and indeed enhancing good practice applications of budgetary projections. Du Plessis (2012b) opines as much and asserts that "*an important aspect is that of exercising control over control*". This emanates from exercising control over monitoring outcomes from monthly and quarterly statements and annual reports, as well as checking the availability of funds before agreeing to any expenditure.

According to Van der Westhuizen(2002), controlling involves determining whether intentions embodied in plans, policies and rules are being carried out properly or successfully and involve three basic steps namely, establishing standards, measuring performance against the standards and correcting deviations from standards and plans. Van der Westhuizen(2002) emphasizes that setting control measures is of use only if corrective steps are taken in cases of deviations being observed. Therefore the ultimate purpose of budget control should be to take corrective action when there are significant variances, which implies according to Van der Westhuizen (2002), to "*ensure that the execution of the plan is carried out smoothly and if there is any deviation, the plan should be adjusted*". According to Chalam(2003), The head of the institute with the help of financial manager or accountant has to maintain strict control over the items of expenditure and at the same time improve the sources of revenue for the institute such as fees, user charges, grants, donations and other sources). According to Chadwick (2002), financial controls include audit, budgeting, and cost control. Controls are necessary in order to ensure that plans and objective are correctly implemented.

According to MoE (2002), the schools finance comes from government income that is the budget of block grant, internal income of school and community contribution as well asNGO. The finance obtained from the above sources, schools properly utilize according to their budget plan.

2.11.1. Definitions of Audit

The term audit in finance defines by different authors. According to Hermanson and et.al (1989), auditing is a systematic process of objectively obtaining and evaluation evidences regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to the users.

Chartterjee (1988) indicated that auditing means a critical examination of the books of accounts to check their accuracy and also detect and prevent errors and frauds. An audit is conducted objectively. In conducting an audit, public accountants examine the records supporting the financial reports of an enterprise and given an opinion regarding their fairness and reliability (Mengistu, 2008).Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree Auditing should be done by a competent, independent person (Arens et.al, 2012).Thus, auditing is concerned with the verification of the accounting data with the aim of determining the reliability and accuracy.

Further, Audit is necessary to avoid errors of commission, compensating errors, and fraudulent errors. Auditing is the verification of the accuracy and completeness of the financial records of the organization and the appraisal of the legality, efficiency, and effectiveness of the financial management of the organization (Chalam,2003).Auditing is an activity involving an independent review of the accounting records. It is the checking of the transactions of the business with its books of accounts and evidences with a view to find out the arithmeticalaccuracy of the accounts, the correctness and truthiness of the transactions recorded in books and their results (Jain, 1996).

Auditing has several advantages in improving the financial activities of an organization.According to Kumar and Sharma (2001), auditing serves as a means for defection and prevention of errors frauds and to update records available. It also facilitates executions of decision without delay. Furthermore, auditing enhances acceptability of authorities and provision of professional advice. According to Arenset.al (2012), the relevance and reliability of two important aspect of auditing that help accounting information useful for decision. Through auditing, weak areas of financial management could be identified and so as to take corrective measures to improve the weak areas. Mbua (2002) categorized audits in education into two main types: Internal audit and External audit. External audit are conducted by appropriate official form

within the organization. The external audits examines whether the financial statements according with General Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principles (GAAP). That is, examines the accounts and sees to it that the accounts have been prepared in line with the legal requirements regulations and the proper accounting practices have been observed in the compilation of the accounts (Hepworth, 1979).

The internal audit is an independent appraisal function established by a firm in order to examine and evaluate that firms activities (Hermanson,et.al, 1989). According toArens,et.al, (2012), internal auditors' responsibilities vary considerably, depending on the employer, but the principal responsibility of internal auditors are to determine if the various operating divisions are following management's policies and procedures. Therefore, because auditing plays a significant role in improving and strengthening the activities of the financial system, it requires the education system to have a well-structured auditing system and timely auditing since a huge financial resource are being utilized in the system. The auditors (both the internal and external) have to play role in carrying out their responsibility to make the practice of financial system meaningful and useful. The managers in the educational organizations also have to create conducive environment so that the internal audit system properly functions and financial activities run in accordance with the existing rules, regulations/ guidelines and financial principles.

2.11.2. Scope of an audit

According to Ogbonnaya, N. I. (2000), a financial audit is an examination of the financial planning and reporting process, the conduct of financial operations, the reliability and integrity of financial records, and the preparation of financial statements. Such a review includes an appraisal of the systems of internal controls related to financial functions. In other words, financial statement audit is conducted to determine whether financial statements are prepared in accordance with GAAP or IFRS.A properly conducted audit is organized to cover adequately all aspects of the organization as they are relevant to the financial statements subject to examination. The auditor has to ensure that information contained in the underlying accounting data and other source data is reliable and sufficient as the basis for the preparation of the financial statement.

2.11.3. The objective of auditing

The objectives of auditing according to Millichamp (2002), is to produce a report by the auditor of his opinion of the truth and fairness of financial statements so that any person reading and

using them can have belief in them. Subsidiary, to detect errors and fraud,to prevent errors and fraud by the deterrent and moral effect of the audit.To provide spin off effects. The auditor enabled to assist his clients with accounting, systems, taxation, financial, risk management and other problems. Auditing is a crucial instrument for monitoring and controlling of budget implementation. It is the essential part of the system of accountability and oversight in that it ensures compliance of operations with regulations, rules and procedures.

2.11.4. Types of audit

There are two main types of audit that a school can use. These are internal and external auditing. In internal auditing, the bursary department of a school may engage a person to be in charge of performing the work of auditing and accounting. The objective of internal auditing is providing independent appraisal function that evaluates the efficiency and effectiveness of school operations. Eseocha (1990) described such audits as continuous and comprise the setting up and carrying out the various internal checks. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process. Overall, Internal audit system normally envisages a continuous audit carried on20throughout the year, as opposed to the periodic audit carried on by the external auditors.

In external auditing the authorities of the institution engages the services of those outside the institution, normally qualified accounting personnel to verify the records kept in the accounting system of the school.

This study further revealed that an external audit is the independent examination and expression of opinion on the financial statements of an entity. It covers only those operations that have a contribution at the financial results and the performances of the organization.

2.11.5. Principles of audit

According to Chartterjee (1988), the basic principles that govern the auditors are the following:- (a) Integrity, objectivity and independence: the auditor should be straight forward, honest and sincere in his approach to his professional work.(b)Confidentiality: the auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose.(c) Skill and competence: the audit should be performed and the report prepared with due professional care by competence in auditing.(d) Documentation: the

auditor should document matters which are important in providing evidence that the audit was carried out in accordance with basic principles. (e) Planning:- The auditor should plan his work in order enable himself to conduct an effective audit in an efficient and timely manner. (f)Evidence: the auditor should obtain sufficient and appropriate audit evidence through the performance of compliance and substantive procedures as to draw reasonable conclusions. (g) Conclusion and Reporting: the auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of his opinion on the information.

2.11.6. Internal Financial Control

The aim of an internal control structure is to ensure that the organization achieves all its goalsanditseffective and efficient internal controls should help in the maintenance of reliable financial records, protect the assets of the organization, authorize transactions and provide accountability. For this purpose, financial organization is a critical aspect of establishing internal controls (Maritz, 2005:14-15). According to Snyder, Hasson and Janks (2003:2), internal controls relate to the plan of an organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records. Among other internal control measures, various authors identify organization, sharing or segregation of responsibilities or of duties, physical controls or keeping of assets, authorization and approval, documentation, arithmetical accounting, personnel, supervision and management (Snyder *et al.*, 2003; School Financial Management Unit, 2006; Pathak,n.d.), which include recording systems and procedures, retention of documents and tracing of transactions from documents. Furthermore, Harrison and Horngre (2008), stated that, an internal control is a system of methods and procedures designed to safe guard assets ensure reliable accounting records promote efficiency and encourage adherence to school policies internal controls can be grouped into two categories. (a) Administrative controls and (b) Accounting controls. Administrative controls: are designed to promote operational efficiency and adherence to school policies.

Accounting controls: are designed to save guard school assets and ensure accurate and reliable accounting records. An effective system of internal control has four characteristics.(1) Competent and reliable personal: Paying competitive salaries training thoroughly and providing adequate supervision help to promote competence. (2) Assignment of responsibility: All school duties to be performed must be identified and responsibility for the performance of those duties must be assigned to appropriate people. (3) Proper authorization: A school generally has a

written set of rules that outlines approved procedures. Proper authorization must be obtained for deviations from standard policies.(4) Separation of duties: Separation of school duties is designed to limit the possibility of fraud or theft in the handling of assets. The school must:- Separate operation from accounting, Separate custody of assets from accounting, Separate authorization of transaction from the custody of related assets &Separate duties with in the accounting function.

Auditors: are evaluating the system of internal control to estimate the reliability of the accounting system. Auditors also help to spot age as where improvement internal control can be made Internal Auditors: are employees of the school and external auditors: are employed by public accounting schools. The positive effects of internal control are a computer system is increased reliability, speed and efficiency. The negative effects of includes lack of flexibility and possible outsider access to confidential information. The limitation of an internal collusion and the resources that school principal devotes to the system. Collusion between two or more people working together to defraud the school may go undetected by the system of internal control.

An accounting information system is the combination of people procedures and cost records that the school uses to meet its needs for financial information mostly now a day computer use the school information system .Accounting information system has its design stage once the system design is accepted a system installation proceeds installation includes training employees Local testing the system and modifying it when necessary (Harrison and Horngre, 2008).

2.12. Sources of Finances in Schools

To produce greater quality and equality within the education system it requires the provision of adequate finance from different sources. Policy makers and implementing agencies are paying more attention to increase the sources of funding.

According to Forojalla (1993), the sources of finance for educational provision in Africa including Ethiopia are three the public authorities; the users of education and self-generated income. Both public and private educational institutions may derive funds from all three sources. Developing countries like Ethiopia are now facing a big demand for more and better education. Even though there are discussions on who should pay for commonly known sources that flow to education system are government, private and donor agencies, community and internal income sources (Alebachew, 2005).

According to (MoE, 2002).There are a number of sources for finance in education. It comes from various sources. The following are among the major sources of finance for educational institutions in general and the schools in particular. These sources include: The government budget (public funding), private funding, the support given by the communities (community contribution), internal income of educational organizations (schools) and NGOs funding

2.12.1. Government (public) funding

Public resources for education in most Africa countries including Ethiopia are raised in three ways: taxation, foreign loans and grants (Forojalla, 1993). The role of government in the provision of education is used for equalizing access to education and considering and considering educational benefits that cannot enter into a private firm's calculation. Government (public) funding of any education system depends on the policy of the country. This implies that the public funding itself relies on the government structure. In other words, it depends on the degree of centralization and decentralization. In line with this, the allocation and management of financial resources can be made fully from the central, regional or local levels or through combination of two or more of these echelons.

2.12.2. Private funding

Education and training policies in number of courtiers encourage and promote private funding to education as the government alone cannot shoulder the burden of financing education. Hence, besides government funding to the private sector, there has always been private initiative in financing education. As a result, a number of private school systems are entirely financed by families, foundations, corporations, individuals, and other groups in the private sector. There are also cases whereby public education systems also receive considerable private financial supports.These are also the second contributors of education financing next to public financing, private sources are diversified in their types and nature. They are non-government sources, which include funding from families, business firms or corporations, etc. In another study UNESCO (2002) identified that private source include contributions from individuals, household and other private entities (example; religious groups, firms, associations). Melaku (2000) summarized the major groups of private contributors as follows: Families: pay fee for tuition, registration, examination and other purposes and expenditures for purchase of school uniform, books, and instructional supplies and for transportation. Local communities: may cover capital expenditure when the government takes the commitment to cover recurrent expenditure.

Business Corporation or firms: Government can enact laws that direct corporation and business firms to participate in financing and provision of educational service. They can also be involved in sponsoring vocational/technical training programs mainly to satisfy their owen human resource needs.

2.12.3The local communities

As is known, the provision of education and training in Ethiopia was confined to the sole responsibility of the government since the introduction of modern education in the country. The overall result was that access to and equity of education has been found to be one of the lowest even in Africa. The situation has been changing recently since communities have started to support and manage schools.

In principle public schools are social institutions and they belong to the community. Schools are to serve the community and the communities are expected to support their respective schools. The local communities may cover capital expenditures when the government takes the commitment to cover recurrent expenditures. For instance, communities can contribute land, labour and materials to build or maintain school buildings. In some countries the local communities contribute by constructing house for teacher.

2.12.4. Internal incomes of the schools

Schools generate internal income in addition to the government budget they are subsiding in order to overcome budget deficits. The income may be obtained from different school activities as indicated Regulation No. 36/2011, internal income of school are the ones to be generated from the following sources:- sales of varies educational out puts, Sport activities, Sales if trees and Grasses etc. This income will be implemented according to the government financial rules and regulations. Currently almost all schools in Addis Ababa region have internal income from different sources.

In some countries educational institution and schools are allowed to generate their own income and utilize finance based on the rules and regulations of the country. School systems can also be encouraged to generate income to self-finance some of their educational activities. Educational institutions and schools do have some source of internal income in our education system. Basically, the practices as well as the rights to generate and utilize resources differ from one region to the other region.

2.12.5. Non-governmental Organization (NGOs)

The financial support for educational purpose comes from international donor organizations in the form of loans and grants. This source is not permanent and it is unreliable means of financing. There is an economic burden on developing countries when they try to repay the loans in foreign exchange. It needs political decision to the loan and grants for education sector, because government would be using up its limited borrowing capacity on education at the expense of other public sectors.

There are some arguments that nonprofit producing projects or social services such as education should not be financed through borrowing (Forojalla, 1993).

It is evident that both the national and international NGOs encourage and support schools by providing financial and physical resources to the school and educational institutions. Some NGOs provide their support to the schools themselves and monitor them through reporting system. Others provide their support by directly involving into the job done with the school and the local communities. Others support schools through the Ministry of Education, Regional Education Bureaus and the District Education Offices. Related to this Dash and Nena (2008) described that the sources of finance in school government grant received from state and central government for different components. School may receive assistance from other agencies such as UNICEF, World Bank and etc for certain schemes and projects such as assistance is received through the state government.

2.13. The Role of Stakeholders in Financial Management

The parent teacher association is made up of parents of the learners at school, teachers and local community. People from the community may be co-opted as parent-teacher association members. For example, an expert on financial matters may be co-opted in the finance or fund (MoE, 2002). The parent -Teacher -Association is an important element of democratization in education. Therefore it is essential that the parent -teacher-association work closely with the school principals as school financial managers. The Parent- Teacher -Association should find ways of obtaining enough money for school by approaching business people to sponsor school activities; asking parents to contribute as they want; and organizing fundraising projects for their schools, allows the parent-teacher association to use the school hall for fund-raising. The money raised by the school is paid in to the school account. The school finance should be administered in terms of the rules by drawn up by (MoE, 2002). This study further reported that principals are not free to use the school finances as they please and money donated to the school should be

used for educational purposes only. The guidelines on school financial management indicate that the school principals and Parent-Teacher-Association should open and maintain a single bank account in the name of the school at a registered bank. Nobody is allowed to keep money or deposit it into a bank account other than the one that exists in the name of the school.

According to Leithwood and Stainback (1995), school principals have responsibilities and duties of their positions; they often find it difficult to keep abreast of changing policies and practices. Murphy and Louis (1999), refered to the popular trend of delegating the management of school fund to school principals and PTAs as an increase in the allocation of decision -making, school - based management and participative decision-making.

2.14. Monitoring and Evaluation in Managing Finance

Monitoring is the continuous or periodic review of a programme or project to assess problem areas and recommend remedial actions (Arikawe, 2009). Budget monitoring is thus a continuous process of "*keeping a check on the difference between the planned financial status at a given time and the actual financial status at that time*" (Du Plessis, 2012). Shapiro (n.d.2) describes budget monitoring as a "*continuous process by which we ensure the action plan is achieved, in terms of expenditure and income*". These pronouncements on what budget monitoring is imply that budget monitoring compares actual expenditure and income against estimated income and expenditure (Mestry & Bisscoff, 2009). According to Mestry (2006), monitoring refers to the exercising of power in a transparent way and thus involves who should be accountable for what was or what should be done. This also means as espoused by Mestry (2006) citing Department of Education (1997), that monitoring is a joint process of accountability in which all members of the SGB have an equal right to participate and give their own opinion.

Evaluation is a process which attempts to determine as systematically and objectively as possible the relevance, effectiveness, efficiency and impact of activities in the light of specified objectives (Chadwick, 2002).Financial planning alone would not be enough to bring about desirable result, unless modern techniques of monitoring and evaluation are applied. As mentioned by Corbally(1997), the three important procedures which are helpful for assuring of the legality, accuracy and efficiency of financial resources are accounting, auditing and reporting. Accounting involves complete and accurate recording, classifying and summarizing of all the financial facts or transaction from this it is possible to understand that accounting help in a better analysis of financial facts. The importance of accounting and its necessity is wellexpressed:

Accounting is essentially the maintenance of records of the receipt andexpenditure transactions of an enterprise accounting creates a running record of the fiscalaffairs of an enterprise and should enable to financial position to be ascertained at any time.

Auditing is a formal examination and verification of the accuracy of the accountsmaintained in the accounting system of an enterprise (Corbally,1997). In addition to this, the function of auditing is to examine the fiscal efficiency. It also protects the system andthe personnel from illegalities, losses or improper expenditures.Nieman and Bennett (2002), reported that, in the case of financial management there aretwo kinds of reporting. The first is internal reporting which is made for those responsible bodies in the office and the other is the report made for public or government to describethe financial status of the system relating with the education objectives and it is the finalprocedure of accounting and auditing.

CHAPTER THREE: REASERCH DESIGN AND METHODOLOGY

This Chapter covers the method of the study, the source of data, the sample and sampling techniques, the instrument of data collection and methods of data analysis.

3.1. THE REASERCH DESIGN

The study emphases on investigating the practices of financial management in Government secondary schools. Accordingly, among various research designs, the Descriptive surveydesign was employed in this study. This is done by considering the resourcefulness of thedescriptive survey designto get available information from school principal,department heads, school finance officers, PTSAmembers and sub-city financial officials. More over; the descriptive survey method isvery essential to reveal the present situation of current financial management practicesand problems. Descriptive survey helps to interpret,synthesize and integrate data and point out their implications. Overall, it can be used toobtain information about the current status of the phenomena and the existing financialmanagement practice in Secondary Schools (Khan, 2004).

3.2. SOURCE OF DATA

The subject of the study was Government secondary schools of Akaki Kality sub-city because the study was delimited to only Government secondary schools. Primary sources of data was obtained from school principals, department heads, finance officers, PTSA members, and financial officials from sub-city Finance and Economic Development office. These data sources were preferred to be used with the aim of collecting firsthand information on existing practices of financial management in selected Government secondary schools. The secondary data sources are gathered from books, researches, reports, journals, articles, produced online, documents, and education bureau statistics.

3.2. SAMPLE SIZE AND SAMPLING TECHNIQUE

3.2.1. SAMPLE SIZE

According to the statistical information obtained from Akaki Kality sub-city education office, currently there are eight government secondary and preparatory schools. Among those schools only four of them are pure secondary schools. Accordingly, fourof them weretaken as sample of the study based on availability to gain appropriate information, Therefore, Beseka secondary, Ethio-Japan secondary, Kality secondary schools and Tulu dimtu secondary were sample schools because they only Government secondary schools in the sub city. In order to study financial management practices in the sample schools, five kinds of respondentswas involved. These

werefour (4) principals, forty four (44) department heads, twelve (12) school financial officers, and fourteen (14) PTSA members weretaken from the schools. In addition to these, three (3) financial officers from Akaki Kality sub-city Finance and Economic Development office is included. Therefore, the target populations that participate in the study wereseventy seven (77).

3.2.2 SAMPLING TECHNIQUES

Concerning the selection of the respondents, they are selected by using available sampling. The rationale behind using this sampling technique is that the respondents have direct relation and experience about the subject under study and limited in numbers.

3.3. INSTRUMENT OF DATA GATHERING

To obtain Descriptive information about the practices of financial management of Government secondary schools; Questionnaire, Interview, and Observations will be employ as a means of data collecting instruments.

3.3.1 QUESTIONNAIRE

The first data collecting instrument employed in the study wasa questionnaire. Questionnaires are suitable and reliable to secure sufficient information from a large number of respondents within a short span of time. Separate questionnaires were prepared for principals, department heads, school finance officers and PTAs members. A questionnaire was prepared and distributed for sample respondent (principals, department heads, finance officers and PTAs members). Questionnaire were decided to be used in collecting the data because respondents gives short and free responses and it is also easy to analyses and interpret.Open ended questions were included because it gives respondents a freedom to give their extended views on the issue. Close ended questions were administered as well for their easiness in tabulation, objectivity and suitability to keep respondents on the subjects of discussion. Thus, questionnaire containing both open and close ended questions were presented to respondents undersix subsequent sections: background information, financial management practices, budgeting practices, auditing practices reporting practices and source of finance practices ofsecondary schools and the sources of questioners are points that are mentioned in statement of the problems.

3.3.2 INTERVIEWS

Interviews were types of survey where the subjects of the study were delivered in face to face encounter by interviewer. So that; interview guide was prepared so as to get relatively more detailed information that is not covered in the questionnaires. Interview questions are employed for four school principals and one sub-city financial official. In this study all the interviews are individual interviews. Dawson (2002) indicated that in a semi-structured interview the researcher wants to know specific information which can be compared and contrasted with information gained in other interviews. To do this the same questions are used for all respondents. The interviews were made by the researcher according to the schedules made by the researcher. The interviews are including about financial management activities concerning planning/budgeting, controlling, auditing, reporting and sources of finance practices of the secondary schools.

3.3.3 DOCUMENT REVIEW

Document analysis is the other essential data collecting tool. Various documents and files which are related to financial activities were observed. Observation refers to the process of observing and recording events or situations (Dawson, 2002). A check listwas prepared for analysis. This data collection instrument enabled one to get correct and complete information from the documents. The observation was include about the standards of account office, availability and accuracy of book of accounts, filing system of book of accounts, availability of office equipment and presence of necessary personnel's in finance offices of the schools understudy.

3.4 PROCEDUR OF DATA COLLECTION

The questionnaires were Pilot tested in Derartu tulu Preparatory School which is not included in the sample schools to test the instrument before they are administered in to final participants of the study. In doing so, the questionnaires are distributed to 1 principal, 11 department heads, 3 Financial Officers and 2 Teachers involved in PTSA members. The reliability of the items was tested using Crombach's alpha formula. This is because Crombach's alpha is used to estimate internal consistency by determining how all items on test relate to all other test items and total test items.

3.5 METHODS OF DATA ANALYSIS

The goal of data analysis was to describe accurately what happened in the data. Both quantitativeand qualitative data analysis methods were employed in order to answer the research questionsand to attain the objectives.The quantitative data was collected, coded, tabulated, analyzed, described, and interpreted. Thedata that collected through close-ended questionnaire from all respondents was analyzedquantitatively by using percentagewas used to guide the analysisand interpretation of the findings.The data that were collected through interview and open-ended questionnaire was analyzedqualitatively using narrative form correspondence to the main research questions. As Bogdan and Biklen (1992) stated analysis in qualitative study basically involves word argumentations thannumerical explanations.

Chapter Four: Presentation Analysis and Interpretation of Data

This chapter is meant to handle the description of the sample Population, analysis and interpretation of the data and it is presented under the following sub-sections.

4.1 Characteristics of the Respondents

In study of the practices of financial management in Akaki kality sub city four secondary schools and the sub-city finance and Economy Development office (ScFEDO) were included in the study. Eighty school respondents (school principals, financial officers, department heads and PTSA) were selected to fill the questionnaire of these 72 (90%) respondents returned the questionnaire besides, an interview was made with four principals and three ScFEDO official. The analysis was made on the basis of information obtained from 72 respondents; four principals and three ScFEDO officials, 12 school finance officers, 4 school principals, 42 department heads and 14 PTSA members.

Table 1:- Respondents by Sex, Age, Qualification and Experience.

Item	Variable	Characteristics of categories	principals		Department heads		Financial officers		PTSA		Total	
			No	%	No	%	No	%	No	%	No	%
1.	Sex	male	4	100	34	77	5	42	9	75	52	72
		female	0	0	8	23	7	58	5	25	20	28
		total	4	100	42	100	12	100	14	100	72	100
2.	Age	20years and below	-	-	-	-	-	-	-	-	-	-
		21-25 years	-	-	-	-	-	-	3	21.42	3	21.42
		26-30 years	-	-	14	33	6	50	8	57.14	28	38.88
		31-35	-	-	17	40	4	33.33	3	21.42	24	33.33
		36-40	4	100	11	27	2	16.66	-	-	17	23.61
		41-45	-	-	-	-	-	-	-	-	-	-
		46-50	-	-	-	-	-	-	-	-	-	-
		51 and above	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
3.	Educational qualification		-	-	-	-	10	83.33	-	-	10	13.88
		Ba/Bsc/Bed	-	-	42	100	2	16.66	14	100	58	80.55
		Ma/Msc/Med	4	100	-	-	-	-	-	-	4	5.55
		Others	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
4.	Total service	1-5	-	-	-	-	6	50	6	42.85	12	16.66
		6-10	-	-	26	61.9	4	33.33	4	28.57	34	47.22
		11-15	-	-	13	30.95	2	16.66	4	28.57	19	26.38
		16-20	4	100	3	7.14	-	-	-	-	7	9.72
		21-25	-	-	-	-	-	-	-	-	-	-
		26 and above	-	-	-	-	-	-	-	-	-	-
		total	4	100	42	100	12	100	14	100	72	100

As it can be seen in item 1 of table 1, all principals were male and the majority of department heads (80%) and PTSA members (64.28%) were males that is and respectively. On the other hand (20%) of department heads and (35.72%) of PTSA members were females. This indicates the number of males respondent greater than female respondent.

In the case of finance officers among the 12 respondents 5(72.7%) of them were males and7(27.30) of them were female.

Depending on the age distribution of the respondents under Item 2 indicates that all principals were in the range of 36-40years, the majority of department head respondents (40%) were in the range of 31-35 years and (33%) were in the range of 26-30 years and (27%) were in the range of 36-40 years.

As we see from the above age information the majority of respondents 28(38.88%) were within the range 26-30 years 24(33.33%) were in the range 31-35 years and 17 (23.61%) were within the range 36-40 years and3 (21.42%) were within the range. therefore, they could be in better position in improving their profession in general and the financial management of their school in particular.

Concerning the educational qualification indicated in item 3 of table 1, the study revealed that 100% of school principals were Master of Art holders. This result agrees with MoE(2002),which stated that the position of principals require M.A/M.SC Degree. And all the department heads and PTSA respondents 42(100%), 14(100%) respectively were Bachelor Degree holders. Among the respondents of financial officers, 10(83.3%) were College Diploma holders, 2(16.66%) were Bachelor Degree holders. Thus, there was no problem to understand and respond to the items in the questionnaire since the questionnaires were prepared in English and all the respondents can read and write.

Regarding the total years of service of the respondents, the work experience 4(100%) of principals, 42(100%) of department heads, 6(50%) of financial Officers and 8(57.14%) of PTSA members was found to be 6 and above years. On the other hand 6(50%) of school finance officers and 6(42.85%) of PTSA members were served below 6 years. This may indicate that the majority were experienced and familiar with the issue under investigation and also such relatively longer years of experience respondents to have better knowledge and understanding about the practices of financial management in general secondary schools. Therefore, they can relate each item in the questionnaire to the problem order investigation.

Table 2:- Respondents by Field of Specialization

Item No	Field of specialization	No of respondent	Level of Education			Total
			diploma	BA/BSc/BED	MA/MSc/MED	
1.	Teaching	56	-	56	-	56
2.	Management	-	-	-	-	-
3.	Accountant	12	10	2	-	12
4	EdPM	4	-	-	4	4
5.	Other	-	-	-	-	-
	Total	72	10	58	4	72

The characteristics of the respondents by their field of specialization was the majority respondents out of 72 respondents in table 2 that is 56(77.77%) were subject teachers with bachelor of Degree, the educational level of 12(16.66%)of the school finance officers were accounting with Diploma. Therefore the level of education of individuals can have direct influence on the quality of their performance and consequently on the attainment of organizational objectives, the overall qualification of the school personnel ranges from Diploma to Masters Degree.

4.2 **Analysis and Interpretation of Data**

This part of the chapter discusses the analysis of the findings and interpretation of the data. It attempts to present the answer to the basic questions raised in chapter one. The major variables are analyzed on the responses obtained from the four groups of respondents.

Table 3:- Sources of Finance

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	Is school annual budget known?	Yes	4	100	38	90.47	12	100	12	85.71	66	91.66
		No	-	-	4	9.5	-	-	2	14.28	6	8.3
		Total	4	100	42	100	12	100	14	100	72	100
2.	What are the main sources of financial resources in your School?	Government budget	4	100	23	54.76	7	58.33	6	42.58	40	55.55
		Private and different aids	-	-	10	23.8	-	-	-	-	10	13.88
		Internal incomes of the school itself	-	-	5	11.9	5	41.67	4	28.71	14	19.44
		Parents	-	-	4	9.5	-	-	4	28.71	8	11.11
		Total	4	100	42	100	12	100	14	100	72	100
3.	Do you think that the amount of budget approved for you (for your school)) to implement your annual educational plan of the school is	Adequate	-	-	6	14.28	3	25	3	21.42	12	16.66
		Inadequate	4	100	36	85.71	9	75	11	78.57	60	83.33
		Total	4	100	42	50	12	50	14	50	72	100
4.	What percentage of budget approved as compared to that of budget requested	100%	-	-	-	-	-	-	-	-	-	-
		70 - 90%	4	100	37	44.05	12	50	12	42.85	65	90.27
		50 - 70%	-	-	5	5.95	-	-	2	7.14	7	9.72
		Below 50%	-	-	-	-	-	-	-	-		-
		Total	4	100	42	100	12	100	14	100	72	100
5.	In what Period of a year your school budget is released from town education office?	1st quarter	-	-	13	30.95	-	-	5	35	18	25
		2nd quarter	4	100	29	69.04	12	100	9	64.28	54	75
		3rd quarter	-	-	-	-	-	-	-	-	-	-
		4th quarter	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
6.	How do you explain the community participation in decision making in your school?	Very high	-	-	13	30.95	5	41.66	8	57.14	26	36.11
		High	4	100	27	64.28	7	58.33	5	35.71	43	59.72
		poor	-	-	2	4.76	-	-	1	7.14	3	4.16
		Very poor	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100-	72	100

As can be seen on Table 3, item 1, i.e. all principals, 38(90.47%) of department heads, 12 (100%) of financial officers and12 (85.71%) of PTAs respondents responded that the schools annual budget was known. The above finding is supported by Corbally (1997) stressed that, if the budget is understandable, accurate and leads to efficient fiscal management; it serves its major fiscal purpose. The crucial test, however, is the degree to which the budget is related to educational plan. The budget may not be over or less than the educational plan.

As indicated in table 3 item 2, all principals, 23(54.76%) of department heads, 7(58.33%) of financial officers and 6(42.58%) of PTAs respondents responded that the main sources of school finance for educational activities was the government. On other hand, 5(11.9%) of department heads, 5(41.67%) of financial officers and 4(28.71%) of PTAs that the main sources of finance for educational activities was internal incomes of the school. And 4(9.5%) of department heads and 4(28.71%) of PTA respondents responded that the main sources of school finance for educational activities was the parents. The above finding was supported by literature, the educational system of Ethiopia has financial sources either from government or external aid providing financial resources to the educational purpose is not only the responsibility of the government, but also the joint responsibility of different groups: schools, parents, and community (MoE, 1999). In connection to the response, MoE (1999) stated that the policy directives also clearly indicated that community contributions and involvements in schooling were important means of financing education.

According to, item 3 in table 3, that is 4(100%) of principals, 36(85.71%) of department heads, 9(75%) of financial officers and 11(78.57%) of PTAs respondents responded that the amount of budget approved was inadequate.

As interview conducted to principals and sub city finance development officers, the majority of interviewees revealed that "*the approved budget for secondary schools would get much less than their request.*" This implies that it may influence utilizing the scarce resources and the total teaching- learning process in that inadequate facility are the results of shortage of finance. The above finding is supported by Jefferson (2003) states that, adequate financial support underlines every aspect of educational activity. Therefore, school finance is commonly referred to as a backbone of school program. Because all other resources are the conversion of financial resources; education without finance is vehicle without engine. Financial resources purchase educational materials. The overall implication of the responses given in item 3 of table 4 is that the budget allocated to all schools is not as desired to accomplish the entire schools plan. The

interview conducted different respondent said that, this gap filled by different sources; like by transferring budget from one code to another, non – government organizations (NGO'S), from school internal income and by community participation.

As indicated in table 3 item 4, that is 4(100%) of principals, 37(88.09%) of department heads, 12(100%) of financial officers and 12(85.71%) of PTAs respondents responded that the percentage of budget approved covered only 71-90% of the budget requested. On other hand, 5(11.11%) of department heads, 2(14.28%) of respondents responded that the budget approved covered only 50-70% of budget requested. This shows that a shortage of budget was a serious problem, which causes failure to accomplish the work planned to be done and difficulty of fulfilling the necessary inputs.

As indicated in table 3 item 5, the majority of respondent's that is 4(100%) of principals, 29(69.04%) of department heads, 12(100%) of financial officers, 9(64.28%) of PTAs respondents reported that the budget was released on the 2nd quarter of the years. On the other hand,29(69.04%) of department heads and 9(64.28%) of PTAs respondents revealed that the budget was released on the 1st quarter of the years. This shows that the budget was released after teaching and learning process started in the school implies that dalliance of budget has a greater impact on purchasing educational materials on time. As a result, there was always a gap between approved budget and actual expenditure.

As indicated in table 3 item 6, the majority of respondent's that was all principals, 27(64.28%) of department heads, 7(58.33%) of financial officers, 5(35.71%) of PTAs respondents responded that the participation of community in budget related decision making is high. Similarly, 13(30.95%) of department heads, 5(41.66%) of financial officers, 8(57.14%) of PTAs respondents responded that the participation of community in budget related decision making is very high. On other hands, the rest respondents responded that the participation of community in budget related decision making is poor.

This implies that there is a community participation in budget related decision making. According to the researcher conducted an interview with school principals and ScFEDO, they describe that "*participatory in the budget plan was high and this help the finance management in the school. This shows that in the school high participatory highly helps to the financial management.*" According to Chadwick (2002) the effective principles of budgeting includes the following points. It should be a team effort. All these involved should work together in harmony and adopt a common sense approach throughout the budgeting process. The people involved may

even bring to the attention of management information that is vital to the success of the budgeting process, and stop them from going ahead with a development that could have disastrous consequences.

Table 4:- Practices of financial Management

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	Is the necessary human resource assigned for financial department in your School?	Yes	-	-	18	40.9	3	25	4	28.57	25	34.72
		No	4	100	24	59.09	9	75	10	71.42	47	65.27
		I do not knows	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
2.	Which of the following financial personnel are missing in your school? (you can give more than one answer)	Accountant	-	-	32	43.24	3	25	-	-	35	33.65
		Finance officer	4	100	42	56.75	8	66.66	9	64.28	63	60.57
		Treasure	-	-	-	-	1	8.33	5	35.71	6	5.76
		Other	-	-	-	-	-	-	-	-	-	-
		Total	4	100	74	100	12	100	14	100	104	100
3.	The extent that the school administration personnel are qualified in carrying out financial management activities	1. Very high	-	-	-	-	-	-	-	-	-	-
		2. High	4	100	28	66.66	8	66.66	10	71.42	50	69.44
		3. Medium	-	-	9	21.42	4	33.33	4	28.57	17	40.47
		4. Low	-	-	5	11.9	-	-	-	-	5	11.9
		5.very low	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
4.	The participation of teachers and administrative workers in financial management is:-	Very high			5	11.9	-	-	-	-	5	11.9
		High	2	50	28	66.66	6	50	8	57.14	44	61.11
		Medium	2	50	9	21.42	4	33.33	4	28.57	19	26.33
		Low	-	-	-	-	2	16.66	2	14.28	4	5.55
		Very low	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
5.	Do you agree that the financial resources are utilized by your school efficiently?	Yes	4	100	32	76	9	75	8	57.14	53	73.61
		No	-	-	6	14.28	3	25	3	21.42	12	16.66
		I do not knows	-	-	4	9.52	-	-	3	21.42	7	9.72
		Total	4	100	42	100	12	100	14	100	72	100
6.	The ability of your school to use the allocated budget for its intended education purpose.	Very high	1	25	14	33.33	8	66.66	7	50	30	41.66
		High	3	75	25	59.52	4	33.33	5	35.71	37	51.39
		Medium	-	-	3	7.14	-	-	2	14.28	5	6.94
		Low	-	-	-	-	-	-	-	-	-	-
		Very low	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100

In Item number 1 of table 4, indicated that all principals, majority of 24(59.09%) department heads,9(75%)of Financial officers and 10(71.42%) of PTSA members were responds the necessary staff for financial not assigned in the school on the other hands, the rest respondents were agree that the necessary staff for financial assigned in the school. No one among the respondents revealed I do know. From the above one conclude that in most schools the necessary staff for financial department not assigned.

Concerning the type of missing financial personnel in the schools from all respondents the majority 65 (65%) respondents said financial officers, 35(35%) respondents were responds accountants and 6(5.76%) respondents were responds treasure. Interviews conducted with sub-city financial officer answers similar with others in different schools in the sub-city there was shortage of financial officers, accountants, treasures, budget and planning officers and purchaser. Concerning item 3 of the table 4 respondents were asked to rate the qualification of school administration in carrying out financial management activities all of principals, 28(66.66%) of department heads, 8(66.66%) of financial officers and 10(71.42%) of PTSA members were responds the qualification of their school administration personnel was high. Similarly 7(16.6.6%) of department heads, 4(33.33%) of financial officers and 4(28.57%) of PTSA members were responds the qualification of their school administration personnel was medium. on the other hands; the rest of the respondents were responds low. In Item number 4 of table 4, indicated that from all respondents 44(61.11%) were responds the participation of teachers and administrative workers in financial management of schools is high. and in the other hands 19(26.33%) and 4(5.55%) respondents revealed that medium and low respectively. Thus, it may be possible to say that the schools management is participatory leadership. Concerning item 5 of the table 4, the majority 53(73.61%) of all respondents reported that the school finance utilized *efficiently*, 12(16.66%) of the total respondents were responds school not utilized financial resource efficiently and 7(9.72%) of all respondents were did not have any idea whether the school utilized efficiently or not. The response of the majority of all respondents 30(41.66%) and 37(51.39%) in Item 6 regarding the ability of schools to use the allocated budget for educational purpose is very high and high respectively. And 5(6.94%) of them revealed that the school finance was made directly on the activity related to the teaching learning process is medium. However, no of all respondents revealed that the resource spent on educational purpose is also low and very low. From the above tables one can conclude that most of school finance was spent on education related purposes.

Table 5:- Budgeting Practices

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	Who are participants in your school budget planning?	Department heads	-	-	-	-	-	-	-	-	-	-
		An organized committee	-	-	17	40.47	2	16.7	4	28.57	23	31.94
		Students	-	-	-	-	-	-	-	-	-	-
		Principals and PTAs	4	100	25	59.52	10	83.31	10	71.42	49	68.05
		Total	4	100	42	100	12	100	14	100	72	100
2.	What are the bases to prepare annual budget plan to your school?	The number of students enrolled	2	50	10	23.81	2	16.7	4	28.57	18	25
		Budget utilized in the previous year	2	50	25	59.52	8	66.6	9	64.28	44	61.11
		The predetermined ceiling set by the sub city finance officer	-	-	4	9.5	2	16.7	1	7.14	7	9.72
		The programs and objectives of the school	-	-	3	7.14	-	-	-	-	3	4.16
		Total	4	100	42	100	12	100	14	100	72	100
3.	The amount of budget approved for your school to implement your annual plan of the School is?	1. Excess	-	-	12	28.57	3	25	3	21.42	18	25
		2. Adequate	4	100	27	64.28	6	50	9	64.28	46	63.88
		3. Inadequate	-	-	3	7.14	3	25	2	7.14	8	11.11
		4. I don't know	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
4.	Is the budget transfer in your school possible from one code to the other?	Yes	4	100	34	80.95	10	83.33	10	71.42	58	80.55
		No	-	-	3	7.14	2	16.7	2	14.28	7	9.72
		I do not knows	-	-	5	11.9	-	-	2	14.28	7	9.72
		Total	4	100	42	100	12	100	14	100	72	100
5.	Do you think that the allocated financial resource is utilized efficiently in your School?	Yes	4	100	38	90.47	10	83.33	13	92.85	65	90.27
		No	-	-	4	9.52	2	16.7	1	7.14	7	9.72
		Total	4	100	42	100	12	100	14	100	72	100
6.	Do you (school) report all financial utilization of budget on timely?	Yes	4	100	29	69.04	11	91.66	12	85.71	46	63.88
		No	-	-	13	30.95	1	8.33	2	14.28	16	22.22
		Total	4	100	42	100	12	100	14	100	72	100

Regarding Item 1 of table 5, the majority 49(68.05%) of respondents revealed that the school principals and PTAs was participate to prepare school budget. Similarly 23(31.94%) of all respondents responds the budget preparation of the school planned by the school organized committee. The interview made with the sub-city financial officer was similar. Thus, in the schools under study one may conclude that budget preparation was dominated by the school management and low participation of academic staffs. According to Levacic (1995), budget plan preparation requires a collaborative and integrated effort so as to enhance and effectiveness in educational efficiency system.

Regarding Item 2 of table 5, 44(61.11%) of all respondents revealed that school budget prepared mainly on the basis of previous year budget utilization. Similarly, 18(25%) of all respondents revealed that the schools budget was prepared on the basis of the number of students enrolled in the school. The response in the interview given by the sub-city financial official also indicated that budget allocation was based on two factors that is the previous year budget performance and the number of students enrolled in the schools.

As indicated in Item 3 of table 5, the majority 46(63.88%) of all respondents responding "Yes" about the adequacy of budget allocated to their school. Thus, from above table one can conclude that school approved budget is adequate to run teaching learning process.

As indicated in Item 4 of Table 5, the majority respondents 58(80.55%) agreed that budget transfer allowed from one code to another. The response of the sub-city financial official was also the same.

As shown in table 5 item 5, all principals, 38(90.47%) of department heads, 10(83.33%) of finance officers and 13(92.85%) of PTAs respondents argued that the allocated financial resources were utilized efficiently in accordance with objective of the school. On other side, the rest of respondent responded that the allocated finance was not utilized efficiently in accordance with objective of school. In addition to this as interview was conducted, most of interviewed respondents admitted this reality and this implies that the allocated financial resources were utilized efficiently in accordance with objective of school. The above finding was in line with literature (Melaku,2000) the expansion of educational systems and provision of quality education in schools are greatly influenced by the amount of finance available to education, and by the extent to which the available finance is effectively and efficiently managed and utilized. The success of management depends on the extent to which financial resources are utilized efficiently and for the purpose for which they are meant (Dash and Nena, 2008).

As seen in Item 6 of Table 5 the majority 46(63.88%) of all respondents reveal that all financial utilization of budget were report on timely.

Table 6:- Financial accounting practices

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	What problems are observed in school accounting practice?	Problem of balancing of accounts	-	-	27	64.28	3	25	2	14.28	32	44.44
		Unable to cheek over payment	-	-	5	11.9	2	16.7	3	21.43	10	13.88
		Unable to cheek the daily accounts	4	100	10	23.8	7	58.3	9	64.28	30	41.66
		Others	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
2.	What mechanisms should be taken to alleviate the problems observed in accounting practice?	Provision of training on accounting practices	1	25	15	35.71	4	33.3	3	21.42	23	31.94
		Provision of supervisory id to the accounting personnel	2	50	19	45.23	7	58.3	8	57.14	36	50
		Hiring capable personnel	1	25	8	19.04	1	8.3	3	21.42	13	18.05
		Other	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
3.	Has the accounting clerk in your school been provided training on accounting practices?	Yes	4	100	13	30.95	3	25	5	35.71	25	34.72
		No	-	-	21	50	6	50	7	50	34	47.22
		I do not knows			8	19.04	3	25	2	14.28	13	18.05
		Total	4	100	42	100	12	100	14	100	72	100
4.	According to your opinion the competence of the majority of staff personnel involved in financial tasks is	Very high	-	-	-	-	-	-	-	-	-	-
		High	3	75	27	64.7	7	58.3	7	50	44	61.11
		Medium	1	25	13	30.95	2	16.7	5	35.71	21	29.16
		Low	-	-	2	4.7	3	25	2	14.28	7	9.72
		Very low	-	-	-	-	-	-	-	-	-	-
		Total	4	100	42	100	12	100	14	100	72	100
5.	If you response to question 5 is very low what do you think is the possible reason?	Low qualification	-	-	-	-	-	-	-	-	-	-
		Inadequate experience	-	-	-	-	-	-	-	-	-	-
		Irrelevant qualification to position	-	-	-	-	-	-	-	-	-	-
		Lock of motivation	-	-	-	-	-	-	-	-	-	-
		Other	-	-	-	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-	-	-	-

In item 1 of table 6, the majority 32(44.44%) of all respondents reported that the problem of balancing of accounts was the problem observed with their accounting system of their schools accounting practices.

A considerable amount 30(41.66%) of all respondents also indicated that unable to check the daily accounts was the problem prevailed in the accounting system.

The interview conducted with the principals was also similar. 10(13%) of all respondents indicated that the problem of schools' accounting practices was unable to check over payment. Therefore, these problems may obstacle efficiency in managing finance in education.

Regarding item 2 of table 6 the majority 36(50%) of all respondents said solves that the provision of supervisory aids to the accounting personnel. Similarly, 25(17.4%) of all respondents provided response for the same item that the provision of training on accounting practices said the problem of balancing of accounts was the mechanism being used to alleviate the problem of balancing accounts.

Some respondent 8(5.5%) of all respondents the mechanisms to alleviate the problem indicated in item 1 of table 6 was appointing capable personnel for the schools' on the other hands 13(9%) of all respondents reported that The did not know how to solve these problem. This may indicate that they ignore about their schools' financial activities. Thus, it may be concluded that the majority respondents emphasize on training to alleviate the problems revealed in accounting practices of the schools.

Regarding item 3 of table 6, the majority 34(47.23%) of all respondents responded that training was not given to accounting clerk of the schools. The interview conducted with the sub-city finance bureau official confirms training was not provided on accounting practices for schools accounting clerks. On the other hand 25(34.72%) of all respondents and the interview conducted with principals confirms straining was given for schools accounting clerks but not on a continuous base. Similarly, 13(18.05%) of all respondents were responds that they did not know whether or not training was being given to accounting clerks.

From this analysis it might be possible to say that training was being provided on accounting practices to clerks in the schools but not in a continuous base. This may imply that the school's accounting system was affected.

Considering item 4 of table 6, the majority 44(61.11%) of all respondents said that the competence of the majority of staff personnel in financial tasks of the schools' was high.

On the other hand, 21(29.16%) and 7(9.72%)of all respondents said medium and low respectively about the competence of the majority staff personnel in financial tasks of their respective schools. The interview conducted with principals confirms the competence of the majority staff personnel involved in financial tasks was high but in some of them observed problems like low qualification, in adequate of experience and lack of motivations.

Table 7:- Auditing Practices

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	To what extent is the internal auditing activity accomplished in your school?	Very frequently	-	-	-	-	-	-	-	-	-	-
		Frequently	-	-	8	19.04	1	8.3	3	21.42	12	16.66
		Rarely	4	100	25	59.52	9	75	8	57.14	46	63.88
		Not at all	-	-	9	21.42	2	16.7	3	21.42	14	19.44
		Total	4	100	42	100	12	100	14	100	72	100
2.	How often the external auditing carried out in your school?	Once a semester	-	-	5	11.9	-	-	1	7.1	6	8.33
		Once a quarter	-	-	-	-	-	-	4	28.57	4	5.55
		Once a year	-	-	-	-	-	-	-	-	-	-
		other	4	100	37	88.1	12	100	9	64.28	62	86.11
		Total	4	100	42	100	12	100	14	100	72	100
3.	Does your school have clear auditing guidelines?	yes	4	100	33	78.57	11	91.16	9	64.28	57	79.16
		No	-	-	2	4.7	1	8.3	2	14.28	5	6.94
		I do not knows	-	-	7	16.7	-	-	3	21.42	10	13.88
		Total	4	100	42	100	12	100	14	100	72	100
4.	How often is training provided on auditing to the school?	Once a semester	-	-	14	33.33	-	-	3	21.42	17	23.61
		Once a quarter	-	-	-	-	-	-	-	-	-	-
		Once a year	-	-	-	-	-	-	-	-	-	-
		other	4	100	28	66.66	12	100	11	78.57	55	76.38
		Total	4	100	42	100	12	100	14	100	72	100

Considering item 1 of table 7, the majority 46(61.11%) of all respondents showed that the proper Auditing is undertaken rarely. On the other hand, 12(16.66%) of all respondents reported that internal Auditing activity respectively accomplished frequently. Similarly, 14(19.42%) of all respondents reported that internal auditing activity in their schools was not accomplished at all. With regard to this interview conducted with schools' principals and ScFDO respondents that

there was not the practice of internal auditing. This shows that internal auditing is not properly accomplished in the schools'.

As indicated in table 7, under item 2, the majority 62(86.1%) of all respondents said that no financial activities of the schools was audited by external auditors.

As the interview conducted with the school principals and ScFEDO the response was similar and also they said that external auditing under gone when there was a suspect of fraud of financial mater. Thus, from this analysis it may be concluded that there was no auditing by external auditing.

As indicated in item 3 of table 7 the majority 57(79.1%) of all respondents said that there was auditing guidelines in their schools, the interview conducted with principals was also similar. A significant number 5(6.94%) of all respondents replied there was no a guideline of auditing in their schools. On the other hand, 10(13.88%) of all respondent did not have any idea about whether the presence of auditing guidelines or not in their schools.

Thus, from this analysis it may conclude that there was auditing guidelines in the schools but there was not using it properly.

As indicated in item 4 of table 7, The majority 55(76.38%) of all respondents reported that there was not training provided to personnel involved in financial task on auditing practices, the interview conducted with principals was similar. On the hand 17(23.61%) of all respondents said that training on auditing provided once in semester. Thus, from the analysis one can be concluded that there was not training being provided to schools on auditing practices. Therefore, as the results from table 6 indicate, there was no practice of external and internal auditing in schools internal auditing strengthens the effectiveness of internal control structure (Hermanson and etal,1989). According to Mbua (2002), external audits examine whether the financial statements according with the generally accepted accounting principles. Thus the data may reveal that there was in effective financial management system.

Table 8:- Reporting Practices

Item No	Items	Items alternatives	principals		Department heads		Financial officers		PTSA		Total	
			№	%	№	%	№	%	№	%	№	%
1.	How often is a report made on the accomplishment of your school annual budget plan?	Monthly	1	25	4	9.5	6	50	4	28.57	15	20.83
		Quarterly	2	50	16	38.1	5	41.66	5	35.71	28	38.88
		Half a semester	1	25	20	47.6	1	8.3	5	35.71	27	37.5
		Yearly	-	-	2	4.7	-	-	-	-	2	2.77
		Other	-	-	-	-	-	-	-	-	-	
		Total	4	100	42	100	12	100	14	100	72	100
2.	Were there problems observed on financial report?	yes	1	25	5	11.9	4	33.3	3	21.42	13	18.05
		No	3	75	34	80.95	8	66.7	9	64.28	44	61.11
		I do not knows	-	-	3	7.1	-	-	2	14.28	5	6.94
		Total	4	100	42	100	12	100	14	100	72	100
3.	If your response for Items no ''2'' above is ''Yes'' what were the problems with the report?	Lack of reliability	-	-	1	2.3	-	-	2	14.28	3	21.42
		Not timed made	-	-	2	4.7	-	-	-	-	2	14.28
		It is not comprehensive report of budget performance	1	25	3	7.14	4	33.33	1	7.1	9	64.28
		Others	-	-	-	-	-	-	-	-	-	-
		Total	1	25	6	19.04	4	33.33	3	21.42	14	100
4.	If you response for Item no ''2'' above is ''No'' what action have been taken to avoid the problem?	Training for those personal concerned with reporting	3	75	34	80.25	8	66.66	9	75	54	75
		Provision of supervisory aid for personnel										
		Making the concerned personnel make reliable and timely report										
		Other										
		Total	3	75	34	80.25	8	66.66	9	75	54	75

As seen in Item 1 of Table 8 the majority 28(38.83%) of all respondents responded that theaccomplishment of the schools' annual budget plan was reported monthly.

Regarding item 2 of table 8, 44(61.11%) of all respondents indicated that there was no problems observed with the report made on financial transaction of the schools; on the other hand, 13(18.05%) of all respondents indicated that there was no problems observed with the report made on financial transaction of the schools. similarly5 (6.94%) of all respondents did not know whether problem observed or not in financial report. There were no problems with the schools on the report made on financial transactions.

Regarding the problem observed on the report as in item 3 of table 8 the majority 3(7.14%) of all respondents, said that it was not comprehensive report of budget plan performance and 2(4.7%) said that not timely made. Similarly 1(2.3%) said that there was lack of reliability.

Concerning actions that should be taken to solve the problem on financial reports themajority54 (75%) of all respondents reported that training should be given to the respective body.

CHAPTER FIVE: SUMMARY, CONCLUTIONANDRECOMMENDATION

The final chapter of the thesis deals with the summary of major findings of the study based on the findings, conclusions are drawn and recommendations forwarded.

5.1 Summary of Findings

The main purpose of this study was to assess the practices of financial management in some selected government secondary schools of Akaki kality sub-city.

In order to achieve this purpose, basic questions were raised, the general and specific objectives were identified, and significance of the study, delimitation of the study, the bodies that are going to be involved in the study and methods to be used in this study were identified. Therefore, the study tried to answer the following basic research questions.

1. What are the main sources of finance in selected Government Secondary Schools of Akaki kaliti sub city?
2. What is the current status of financial management in terms of financial planning, controlling and reporting in selected Government Secondary Schools of Akaki kaliti sub city?
3. To what extent are the educational financial resources audited in the selected Government Secondary Schools of Akaki kaliti sub city?
4. What are the problems observed in the process of school's financial management in the selected Government Secondary Schools of Akaki kaliti sub city?

In order to get data about the practice of financial management of the schools, questionnaireswere used. And to get relatively more detailed information and to fill in the gaps which were not collected using questionnaires, interviews were also used. The data that were collected using questionnaire were organized into different tables and analyzed using frequency, percentage, mean and chi-square. The data gathered through questionnaires were analyzed and cross checked with response obtained through the interview.

There was also personal observation and reviewing of documents.

Accordingly, summary of the major findings were made based on the analysis as follow:-

5.1.1. Sources of finance

Regarding sources of school finance, 66(91.66%) of all respondents pointed out that school annual budget is known and 40(55.55%) of respondents revealed that the main sources of school finance is government and 10(13.88%), 14(55.55%) and 8 (55.55%) of respondents responded

that the main source of school finance is private and different aids, internal incomes and parents respectively. The adequacy of school finance to run teaching learning process the majority 60 (83.33%) of respondents revealed that the amount of budget approved to implement annual educational plan of the school is inadequate. Similarly the majority of 65 (90.27%) of respondents revealed that the budget approved is in the range of 70 %-90% as compared to that of budget requested and the majority 54 (75%) of respondents revealed that the approved budget is released in 2nd quarter. The majority 65 (90.27%) of respondents revealed that the community participation in decision making in the school is high.

5.1.2. Financial management practices related issues:

It was revealed by 47(65.27%) of all respondents that there was a shortage of human Resource in schools finance offices. In line with this, the type of missing financial personnel the majority 65(65%) of all respondent pointed out said finance officers and 35(35%) respondents indicated accountant: from observation and interviews conducted with respondents all schools do not have finance officers and accountants.

Concerning the qualification of school administration in carrying out financial activitiesthe majority 50(69.44%) of all respondents pointed out as high. Theeducational level of the majority 10(13.88%) of the accounting workers was diploma and above.

As indicated by the majority of 44(61.11%), 10(45.5%) offinancial officers and 6(50%) of respondents revealed that the participation of teachers inthe process of financial management was rated as high.

The majority 53(73.61%) of all respondents agreed that the school financeutilized efficiently. Similarly in relation to this 37 (51.39%) of respondents rated that the ability of schools to use the allocated budget for the intended educationalpurpose as high. Similarly 30 (41.66%) of all respondents pointed out very high.

From these one concludes that most of school finance was spent on educationrelated purposes and most of the planned budget used effectively.

5.1.3. Budget Practice Related Issues

According to 49(68.05%) all respondents the preparation ofannual budget dominated by school principals. As the study revealed the involvement of different sections in budget preparation was seen to be low in the schools understudy.

Regarding budget preparation, 44(61%) and 18(25%) of all respondents pointed out on the basis of previous year budget utilization and the number of students enrolled in the schools respectively.

It was revealed by 46(63.88%) of all respondents that the allocated budget was not as required amount. This is not sufficient to achieve the educational objectives set, and this in turn seriously put the quality of education program at risk.

According to 58(80.55%) of all respondents agreed that budget transfer is possible from one code to the other code. This shows school can cover shortage of budget though this process.

5.1.4. Financial Accounting practice.

The majority 32(44.44%) and 30(41.66%) of all respondents problems of balancing of account and unable to check the daily accounts were the problems faced the accounting clerks respectively. The mechanism to solve these problems the majority 36(50%) of all respondents suggested that providing training to the accounting clerks would solve the problems.

Regarding training provided on accounting practices the majority 34(47.23%) of all respondents agreed that training was provided on accounting practices. But the training was not given in a continuous base.

As indicated by the majority 44(61.11%) of all respondents, the competence of the majority of financial personnels in financial tasks was rated as high. But a considerable number of 21 (29.16%)of all respondents rated as medium. Even though, the competence of financial personnel was good still there was a problem like lack of experience and lack of motivation.

5.1.5 Auditing Practices Related Issues

46(63.88%) of all respondents pointed out that internal auditing activities were carried out rarely. Similarly, the majority 62(86.11%) of all respondents also pointed out that there was no practices of external auditing. This indicates that timely auditing activities did not take place in line with the regulation of the Ministry of Finance and Economic Development. Thus, this situation implies that there was ineffective financial management system.

Regarding, schools have clear auditing guidelines, the majority 57(79.12%) of all respondents reported that there was clear auditing guidelines in the schools but schools were not used it properly.

Regarding, schools provide training on auditing was not provided to personnel's involved in financial task on auditing practices.

5.1.6. Reporting practice

Regarding a report accomplishment of the school annual plan, the majority 28(38.88%) of all respondents pointed out that school annual budget plan accomplishment is report quarterly and significant number of respondents revealed that the report is half semester. The majority 44(61.11%)of all respondents responded that no problems observed on finance report. Similarly the majority 9(64.28%) of all respondents revealed that the report is not comprehensive report of budget performance. The majority of 54(75%) of all respondents revealed that the action have been taken to avoid the problem is giving training for those personal concerned with reporting.

5.1.7. Review of Documents

Although the schools under study have separate office for their accounting task, but the standard of the office is not good, lucks the necessary office furniture and equipment's. Thus, this condition affects the financial activities of the schools.

As observed in some accounts offices do not have appropriate filling system for their journals, ledgers, work sheets, trial balances financial statements and other report forms

5.2 Conclusion

Based on the above findings and the basic questions, the following conclusions have been drawn.

- As the study revealed the involvement of different sections in budget preparation was seen minimum. On the other hand, budget preparation largely dominated by school's principals. Because of the absence of different sections in budget preparation results misunderstanding when objectives are translated in to action programs. Hence, one can safely conclude that such misunderstanding could lead to conflict in the work place.
- The basis of budget allocation by the sub-city finance and development office was previous year budget utilization and the number of students enrolled in the schools. This implies that budget allocation system of the sub-city finance office was inappropriate since it neglects other factor which needs to be considered.
- The majority of the respondents claimed that the allocated budget from the point of achievement of the education objective was not sufficient. But, according to the respondents the shortage of budget covered by: community participation, school internal income, and NGOS.
- Although, the main purpose of financial audit is to verify the accuracy and completeness of financial records of education system and appraisals of legality, efficiency and effectiveness of the financial management. The presence of audit activities would help to

protect the schools money from embezzlement and unnecessary wastage. Yet in the schools under study, there was no timely auditing activities and effective internal control system.

- Although, the competence of the majority of financial personnel in the school understudy was good, the absence of a continuous training on budget preparation, accounting, auditing and reporting practices has brought a negative impact up on the schools financial management efficiency.
- The majority of the accounts office is not in standard size, and do not have the necessaryoffice furniture and equipment and their overall arrangement did not enable them to accomplishthe work in modern way. In some schools understudy, they do not have appropriate filing system for their journals, ledgers, work sheets, trial balance, financial statements and other report forms. Hence, this might negatively affect their recording and documentation of financial matters.

5.3 Recommendations

On the basis of the findings and conclusions the following recommendations were given.

- In order to fill the gap observed in human resource of the school's the sub-city capacity building office in collaboration of schools should add trained personnel for Accounting, Budgeting and Auditing activities to manage school finance efficiently and effectively.
- In financial activities and Budget preparation of the school there should involve the efforts of all staff members. Therefore, the management of the school is advised to invite all staff members and concerned bodies to take part in budgeting process to reduce the possibility of later misunderstanding and to gain individual workers' acceptance when objectives are translated in to actions program. Thus, transparent system will be accessible to all.
- All schools do not have the same resources capacity for income generation. More ever, the awareness of school's surrounding community to support education may not be the same. Hence, AAEB is advised to develop alternative ways in budget allocation. Unless and otherwise, such imbalance among schools considered, it would be difficult for those schools with limited resource capacity to effectively attain the desired educational objectives.
- The sub-city finance and economic development office in collaboration with sub city capacity building office education office and sub-city administration should design

training programs on a continuous basis to enhance the capacity of school management in general and financial personnel in particular.

- The schools should strength and implement internal auditing systems in collaboration of sub-city finance and development office. As well, the sub-city finance and economic development office should audit schools at least quarterly to ensure that the financial activities of schools performed in accordance with the existing financial guidelines, regulations and principles of the ministry of finance and economic development.
- The schools in collaboration with sub-city finance and economic development office should prepare standardized offices and fulfill the necessary office furniture and equipment to accomplish the work of accounting in a modern way. Similarly, the sub city finance and economic development office should supervise closely school's financial activities in order to solve problem of inappropriate filling system of Journals, ledgers worksheets, trial balance, financial statements and report forms.

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7. APPENDICES

7.1. Appendix-I: Questionnaire

ADDIS ABABA UNIVERSITY

COLLEGE OF EDUCATION AND BEHAVIORAL STUDIES

DEPARTMENT OF EDUCATIONAL PLANNING AND MANAGEMENT

A questionnaire to be filled by Teachers, principals, Department Heads and school finance officers

Objectives of the questionnaires:

The main objective of the questionnaire is to collect information on the practice of financial management in government secondary schools of Akaki Kality sub city in Addis Ababa City Administration. The school has been selected as a study sample and hence your responses on assessing practice of financial management relevant to the research. Therefore, you are kindly requested to provide information needed on the issue related to the study. The success of this study depends on your honest and genuine responses. The information gathered through this questionnaire will be used for the purpose of the study. It is assured that the collected data will be kept confidential and used for research purpose only.

Thank you in advance for your cooperation!

Instruction I

1. No need of writing your name.
2. After reading the questionnaire, tick (√) the appropriate item/s corresponding to your answer.
3. For the questions having no alternative response, you are requested to give a short and precise response in the space provided.

Respondents' Background Information

1. **Sub-city**_____ **Woreda**_____ **School**_____
2. **Sex**: 1. Male ☐ 2. Female ☐
3. **Age** A. below 20 _____ B. 21 - 25 _____ C. 26 - 30 _____ D. 31 - 35 _____
   E. 36 - 40 _____ F. 41 - 45 _____ G. 46 - 50 _____ H. 51 and above _____
4. **Total Year of service**:

1. 1-5 ☐ 2. 6-10 ☐ 3. 11-15 ☐ 4. 16-20 ☐ 5. 21 and above ☐

5. **Service year in current position**:

1. 1-5 ☐ 2.6-10 years ☐ 3.11years and above ☐

6. **Level of Educational**:

1. Diploma ☐ 2. First degree ☐ 3. Second degree and above ☐

7. **Field of specialization**

1. Teaching ☐
2. Management ☐
2. Accounting ☐
3. Educational planning and management ☐
4. **Other specify**_____

_____

_____

8. Current position:_____

Part Two: - Financial Management Practices

2.1. Is the necessary human resource assigned for financial department in your School?

1. Yes ☐ 2. No ☐ 3. I do not knows ☐

2.2. Which of the following financial personnel are missing in your school? (You can give more than one answer)

1. Accountant ☐ 2. Finance officer ☐ 3.Treasure ☐

4. Other(please specify) _____

_____

2.3. The extent that the school administration personnel are qualified in carrying out financial management activities is:-

1. Very high ☐ 2. High ☐ 3. Medium ☐ 4. Low ☐

5. Very low ☐

2.4. The participation of teachers and administrative workers in financial management is:-

1. Very high ☐ 2. High ☐ 3. Medium ☐ 4.Low ☐

5. Very Low ☐

2.5. Do you agree that the financial resources are utilized by your school efficiently?

1. Yes ☐ 2. No ☐ 3.Idonot know ☐

2.6. The ability of your school to use the allocated budget for its intended education purpose is:-

1. Very high ☐ 2. High ☐ 3. Medium ☐ 4. Low ☐

5. Very low ☐

PART THREE: - Financial planning/Budgeting Practices

3.1. Who are participants in your school budget planning?

1. Teachers/Department heads ☐ 3. Students ☐
2. An organized committee ☐ 4. Principals and PTAs ☐

3.2. What are the bases to prepare annual budget plan to your school?

1. The number of students enrolled ☐
2. Budget utilized in the previous year ☐
3. The predetermined ceiling set by the sub city finance officer ☐
4. The programs and objectives of the school ☐
5. Other (please specify) _____

_____

_____

3.3. The amount of budget approved for your school to implement your annual plan of the School is?

1. Excess ☐ 2. Adequate ☐ 3.Inadequate ☐ 4.I don't know ☐

3.4. Is the budget transfer in your school possible from one code to the other?

1. Yes ☐ 2. No ☐ 3. I do not know ☐

3.5. If your answer to question 3.5 is "No" how do you manage budget shortage and /or excess in a budget a given budget codes?

_____

_____

_____

3.6. Do you think that the allocated financial resource is utilized efficiently in your School?

1. Yes ☐ 2. No ☐

3.7. Do you (school) report all financial utilization of budget on timely?

1. Yes ☐ 2. No ☐

PART FOUR: Sources of Finance practices

4.1. Is school annual budget known? 1. YES ☐ 2. NO ☐

4.2. What are the Main sources of financial resources in your School?

1. Government budget ☐ 2. Private and different aids ☐
3. Internal incomes of the school itself ☐ 4. Parents ☐
5. Other, specify .....

4.3. Do you think that the amount of budget approved for you (for your school)) to implement your annual educational plan of the school is

1. Adequate ☐ 2. Inadequate ☐

4.4. What percentage of budget approved as compared to that of budget requested

1. 100% ☐ 2. 70 - 90% ☐ 3. 50 - 70% ☐ 4. Below 50% ☐

4.5. In what Period of a year your school budget is released from town education office?

1. 1st quarter ☐ 2. 2nd quarter ☐ 3. 3rd quarter ☐ 4. 4th quarter ☐

4.6. How do you explain the community participation in decision making in your school?

1. Very high ☐ 2. High ☐ 3. Poor ☐ 4.Very Poor ☐

4.7. During shortage of budget created in your school, what is your role and experience to get Additional budget? Please specify shortly.

.....

.....

.....

Part five: - Accounting Practice

5.1 What problems are observed in school accounting practice?

1. Problem of balancing of accounts ☐
2. Unable to cheek over payment ☐
3. Unable to cheek the daily accounts ☐
4. Others (please specify)_____

_____

5.2 What mechanisms should be taken to alleviate the problems observed in accounting practice?

1. Provision of training on accounting practices ☐
2. Provision of supervisory id to the accounting personnel ☐
3. Hiring capable personnel ☐
4. Other (Please specify) _____

5.3 Has the accounting clerk in your school been provided training on accounting practices?

1. Yes ☐ 2. No ☐ 3. I do not know ☐

5.4 Accounting to your opinion the competence of the majority of staff personnel involved in financial tasks is

1. Very high ☐ 2. High ☐
3. Low ☐ 4.Very low ☐

5.5 If you response to question 5.4 is very low what do you think is the possible reason?

1. Low qualification ☐
2. In adequate experience ☐
3. Irrelevant qualification to position ☐
4. Lock of motivation ☐
5. Other (please specify) _____

Part six: - Auditing Practices

6.1 To what extent is the internal auditing activity accomplished in your school?

1. Very frequently ☐
2. Frequently ☐
3. Rarely ☐
4. Not at all ☐

6.2 How often the external auditing carried out in your school?

1. Once a semester ☐
2. Once a quarter ☐
3. Once a year ☐
4. Other (please specify) _____

6.3 Dose your school have clear auditing guidelines?

1. Yes ☐ 2. No ☐ 3. I do not know ☐

6.4 If your answer to question 6.3 is ''No'' how do you get your school finance audited?

_____

6.5 How often is training provided on auditing to the school?

1. Once a semester ☐
2. Once a quarter ☐
3. Once a Year ☐
4. Other (please specify _____

_____

Part seven: - Reporting Practices

7.1 How often is a report made on the accomplishment of your school annual budget plan?

1. Monthly ☐
2. Quarterly ☐
3. Half a semester ☐
4. Yearly ☐
5. Other (please specify) _____

_____

7.2 were there problems observed on financial report?

1. Yes ☐ 2. No ☐ 3. I do not know ☐

7.3 If your response for Items no ''8.2'' above is ''Yes'' what were the problems with the report?

1. Lack of reliability ☐
2. Not timed made ☐
3. It is not comprehensive report of budget performance ☐
4. Others (please specify_____

_____

7.4 If you response for Item no ''7.2'' above ''2'' what action have been taken to avoid the problem?

1. Training for those personal concerned with reporting ☐
2. Provision of supervisory aid for personnel ☐
3. Making the concerned personnel make reliable and timely report ☐
4. Other (please specify_____

_____

7.2. Appendix-II: INTERVIEW TO MAIN PRINCIPALS

Addis Ababa University

Collage of Education and Behavioral Studies

Department of Educational Planning and Management

Interview questions conducted with school main Principals. The purpose of this interview is to gather relevant information a current practices and problems of financial management system of secondary schools in akaki kaliti sub-city. Since the research, finding may assist financial personnel in education institutions and may help for them for decision – making.

Your co- operation in giving Answers has department importance. Hence, please take some of your time to give answer for my questions and please be objective for your response.

Thank you in advance for your cooperation!

Part one: - Personal Information's

1.1 Name of your office ----------

1.2 Age ----------

1.3 Sex ----------

1.4 Level of educations ----------

1.5 Field of specialization ----------

1.6 Your present job title ----------

1.7 Your service year in current position ----------

1.8 Total service year ----------

Part two: - Interview Questions to School Main Principals

Questions related with financially management of Government secondary schools.

2.1 What are the major sources of internal income for your school?

2.2 How competent are schools Staff Personnel (principals and finance offices), to Carry out accounting work, auditing and reporting of educational finance on a continuous base?

2.3 Do you school have qualified staff personnel (finance officers) to handle their Financial activities?

2.4 What problems of accounting practices are observed in your school?

2.5 Is there the practice of auditing in your school?

2.6 On what basis you prepare your school annual budget plan?

7.3. Appendix-III: INTERVIEW TO SUB CITY FINANACE OFFICERS

Addis Ababa University

Collage of Education and Behavioral Studies

Department of Educational Planning and Management

Interview questions conducted with sub city finance official. The purpose of this interview is to gather relevant information a current practices and problems of financial management system of secondary schools in akaki kaliti sub-city. Since the research, finding may assist financial personnel in education institutions and may help for them for decision – making.

Your co- operation in giving Answers has department importance. Hence, please take some of your time to give answer for my questions and please be objective for your response.

Thank you in advance for your cooperation!

Part one: - Personal Information's

1.1 Name of your office ----------

1.2 Age ----------

1.3 Sex ----------

1.4 Level of educations ----------

1.5 Field of specialization ----------

1.6 Your present job title ----------

1.7 Your service year in current position ----------

1.8 Total service year ----------

Part Two: - Interview Questions for Sub-City Financial Officer

2.1 What is the trend of school budget plan preparation?

2.2 How do you support schools to enable them manage their finance properly.

2.3 Is it allowed for schools to transfer budget from one code to the other?

2.4 How is auditing conducted in the schools?

2.5 How competent are schools personnel's (principals and finance officers) to carry out accounting work, auditing and reporting of educational finance on continues bases?

7.4. Appendix-IV: REVIEW OF DOCUMENTS

Addis Ababa University

College of Education and Behavioral Studies

Department of Educational Planning and Management

Review of Documents checklist for general information from Government secondary schools Accounts office

NO	Focus area	Very good	Good	Fair	satisfactory	poor	remarek
1.	Standard of account office						
2.	Availability of book of accounts						
3.	Accuracy of book of accounts						
4.	Filling system of book of accounts						
5.	Availability of necessary office equipments						
6.	Presence of necessary personnel in the finance office						

7.5. Appendix-V: LIST OF SAMPLE SCHOOLS IN THE SUB-CITY

No	School's Name
1	Beseka secondary school
2	Ethio-Japan secondary school
3	Kality secondary school
4	Tulu Dimtu secondary school

Thank you for your time and cooperation!

DICLARATION

I ,the under signed, declare that this thesis entitled " Practices of financial management in government secondary schools of Akaki Kality sub city of Addis Ababa.'' Is my original work and has not been presented for a degree requirement by any other individual; and that all the source materials used for this thesis proposal have been duly acknowledged.

Name: Dessalegn Mersha

Signature: _____

Date: 28/11/09

Confirmed by:

Name: _____

Signature: _____

Date: _____