

**FINANCIAL MANAGEMENT PRACTICES IN TERTIARY
TRAINING INSTITUTIONS IN NYERI NORTH AND SOUTH
DISTRICTS**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS IN
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DECLARATION

This research report is my original work and has not been presented for a degree in any other university.

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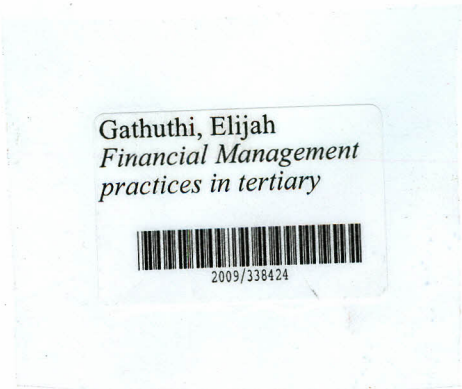
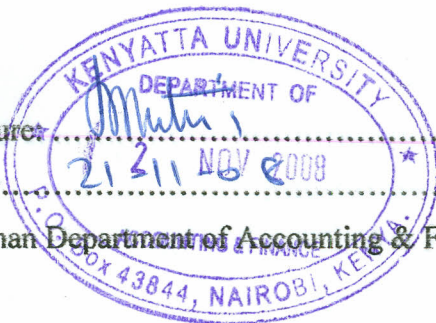
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DEDICATION

To my beloved parents, brothers and sisters for their unending love, encouragement and support.

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I thank the Almighty God for the gift of life. I wish to thank all those who extended their assistance while I was carrying out this study. I particularly thank my parents for all their supportive love. I also thank my lecturers for their dear knowledge and training. I thank my supervisors Mr. A. K. Khasiani and Mr. Raphael Maganjo for their exceptional attention, guidance and support while I was carrying out this study. Also, I earnestly appreciate my colleagues, friends and management of all Tertiary Training Institutions in Nyeri districts for their much needed assistance in my studies. Mr. A.D. Bonjana deserves special gratitude for the meticulous technical editing and proofreading the final work.

ABSTRACT

This study aimed at investigating the financial management practices in the tertiary training institutions. The study evaluated both operational and long-term factors affecting efficient financial management activities in the tertiary training institutions. The financial management practices in the tertiary training institutions may create hindrances or be contributors of good performance.

The main purpose of this research was to find out whether or not the tertiary training institutions have well established financial policies for enabling efficient and effective financial management practices. It also found out what challenges, if any, face the financial management practices. The management practices investigated are internal and also external to the specific institutions because financing Education and Training encompasses financial outlays by Central and Local Government, the private sector, NGOs, households, communities and external partners. All these financiers impose regulations, restrictions, guidelines and objectives which must be seen binding and enforceable by all the stakeholders.

The study sought to identify characteristics of the financial activities in the institutions. They have been analyzed into good and bad financial management practices based on their quality. Financial resources are the driving force in any long-term investment. Many times in the tertiary training institutions significant financial resources are found in very liquid form and are used to purchase necessities and sometimes urgent consumables, paying of current debts especially to casual laborers and other expenses. Such liquid financial resources form the solid ground on which survival and future development of the tertiary training institutions are based. These areas have been thoroughly investigated and all relevant data obtained. The study framework was audit and inspection, record-keeping, corporate governance and financing the budgeted activities. The data collection tools used included questionnaires, interviews and observations. Both primary and secondary data were obtained in the financial management practices.

The researcher used descriptive research method to obtain and analyze the required data. Financial management data were collected from the employees and other stakeholders. This included Managers of the Institutions (BoG members, principals, deputy principals and registrars), students and parents, TSC agents and government agents, departmental heads (HoDs), sectional heads, accounts officers and other relevant persons. More emphasis was given to the accounting and/or cash offices. At least 80 individuals were approached. The qualitative and quantitative data were analyzed by use of descriptive statistics so as to become meaningful to the users. The data from the study are in tables of frequency distributions, graphs and analytical description. The study concluded that tertiary training institutions have consumed a lot of resources in payment of salaries of employees, infrastructural construction and educational development and training the study also found that some of the statutory regulations are outdated. The study recommends that inspection and auditing tertiary training institutions should be carried out half yearly or even more frequently so as to curb financial mismanagement.

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DEFINITION OF TERMS

Cash	- Liquid money in form of bank notes and coins only.
Challenges	- Barriers or conditions that hinder efficiency in service delivery.
Controls	- Regulating, restraining, directing and limiting operations to curb or check ills.
Delivery	- Disbursement, transmission, carrying and transportation measures.
E-commerce	- Transacting business through internet and computers.
Electronic	- Device with electric circuits such as computers.
Entrepreneur	- A person, who organizes, manages and assumes the risks of a business or enterprise. In this study, entrepreneurs are the investors in or the owners of tertiary training institutions.
Finance	- Management of money, credit or loans.
Information	- Useful data and knowledge acquired.
Liquid money	- Bank notes, coins and near money instruments.
Management	- Administering the control and handling of finance.
Near money instruments	- Commercial documents representing cash e.g. cheque.
Policy	- Plan of action adopted to establish, run and check activities.
Quality	- That pertaining to relevant excellence and standards.
Service delivery	- Performance of institution's activities towards satisfying customer needs.
Technology	- Systematic application of advanced skills in financial services
Tertiary	- Post-secondary school training institutions.
Training	- Systematic modifications of behaviour through learning, which occurs as a result of education, instructions, development and planned experience.
Transportation	- Physical movement, of money from source to destinations.
Utility	- Degree to which the service/product satisfies a customer need.

ABBREVIATIONS AND ACRONYMS

NTTI	- Nyeri Technical Training Institute
KIM	- Kenya Institute of Management
KEMU	- Kenya Methodist University
IT	- Information Technology
Mt. Kenya	- Mount Kenya
Co	- Company
Ltd	- Limited
I.C.S	- Internal Control Systems
Ksh	- Kenya Shillings
CF	- Cash Flow
IAS	- International Accounting/Auditing Standards.
D.C.F	- Discounted Cash Flow.
IFRS	- International Financial Reporting Standards
S.A.C.C.O.	- Savings and Credit Co-operative Society
CEO	- Chief Executive Officer.
C. B. K.	- Central Bank of Kenya.
LMM	- Liquid Money Management
T.S.C	- Teachers Service Commission
MoE	- Ministry of Education
MoST	- Ministry of Science and Technology
MoES&T	- Ministry of Education, Science and Technology
TIVET	- Technical, Industrial, Vocational and Entrepreneurship Training
DEBs	- District Education Boards
KUCT	- Kimathi University College of Technology.
BoGs	- Board of Governors

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND INFORMATION

Kenya has, over the years, demonstrated its financial commitment to the development of education and training through sustained allocation of financial resources to the sector. The government has sought assistance through several commissions of inquiry to try solving the problem of controlling sources and expenditure of these financial resources. Koech Report (2000) in the TIQET inquiry state that poor financial management has contributed to increased costs and poor returns for the amount spent in education sector.

Ayot and Briggs (1992) on the economics of education state that education is not seen by most purchasers as a consumption good, but as an investment. The whole question of the benefits accruing from such an investment has been reviewed, and suggestions have been made that state spending on education should be reduced, or its growth more strictly controlled.

Bogonko (1992) states, that the most important yet disturbing snags to education are the shortage of funds. Lack of finance has constantly been cited as the major stumbling block in expanding all schools, technical education, university education and teacher education beyond certain limits. He shows the need to control both the capital and recurrent expenditure in both public and the private institutions. Despite the substantial allocation of resources and notable achievements attained, Bogonko (1992) says that 'not just any education should be financed'. Education should promote and enrich cultural growth, also satisfy manpower needs and stimulate job creation. This presupposes the need to well manage and control where and for what purpose to finance in the tertiary training institutions.

Eshiwani (1993) stipulates that financial challenges relate to access, quality, relevance, efficiency in the management practices, costing and financing of education, gender and regional disparities, and teacher quality and teacher utilization. Eshiwani (1993) emphasizes that the major challenges of all these is in regard to financial controls and financial policy framework for allocating and utilizing effectively the scarce resources.

Otiende (1992) highlights, that Ndegwa Commission of Inquiry had suggested that a clear system of close financial supervision be devised. It recommends that DEBs and BoGs be established with a view to assuming progressive financial and managerial responsibility. Bogonko (1992) states that, there is no proper machinery to collect public money and issue returns to the government in most schools.

Eshiwani (1993) elaborates on the student-aid policies which have been formulated to help the masses pursue education as far as their interest and ability may take them. There has been introduction of cost-sharing, bursary and loan schemes. Eshiwani (1993) thereafter states that these schemes are rife with abuse which speaks volumes regarding financial management practices.

With regard to financing skill training, Ayot (1992) and Eshiwani (1993) both posit that Kenya has National Polytechnics, Institutes of Technology, Technical Teachers' Training Colleges and Technical Training Institutes. The private sector operates many commercial colleges that offer courses which augument the curricular in these colleges particularly in computers and non-technical areas of training.

According to Eshiwani (1993), the above institutions operate under the auspices of Ministry of Education and Ministry of Science and Technology. The government ministries operate institutions that provide specialized technical training. These include institutions run by the Ministries of Home Affairs, Office of the President, Agriculture, Health, Water Resources Management and Development, Roads and Public Works,

Labour and Human Resource Development, among others. Overall, the management of Technical, Industrial, Vocational and Entrepreneurial Training (TIVET) institutions is spread over ten ministries. This makes co-ordination of their financial activities and maintenance of financial standards difficult as the supervision of most of these institutions is left to individual ministries and parastatals that often lack the capacity to assure quality and high standards.

The *Financial and Accounting Instructions for Educational Institutions* (1991) by the Ministry of Education, states that trainees, their sponsors and others pay for the vital services in cash, cheques, and money orders among other modes which need to be well-recorded or documented. Some training institutions accept payment in liquid form (cash). According to Pandey (2004), organizations that accumulate liquid assets that are more risky to manage or handle may lead to reduced returns. Often this cash is needed as the institutions obtain inputs from suppliers of labour and capital who in return need immediate payment. The receipts and payments according to Pandey (2004) require a stringent financial management or control system. Their control can be enhanced if relevant updated financial controls and management information is availed.

According to McLaney (2006), financial management have the following objectives:

- To ensure that funds are spent on the purpose for which they are intended.
- To make optimal use of the available funds.
- To make it possible for the authorities (in our case the head of the institution, the district/provincial education officers and the Ministry of Education officials) make an effective and speedy check on the rate of expenditure.

Financial security concerns pose a real difficulty in managing both monetary and non-monetary assets. Financial security measures according to Shapiro (2003) are expensive, unique and more dynamic. There are many instances of losing cash-in-transit or in-storage. In other instances, cash is lost due to misappropriation by dishonest employees.

Millichamp (2002) says financial records and near money instruments are at times altered by obliterations, interlineations or destruction by unauthorized persons.

Millichamp (2002) argues that rules and regulations from local and central governing bodies may be outdated or old and are no longer relevant. Some may be very strict and hard to change making it difficult to operate efficient and effective financial management policy. Koech (2000) elaborates that investigation by auditors is a norm in most government schools, which enhances proper financial management in tertiary training institutions. Koech (2000) says that government as a regulator needs to establish guidelines to clarify the grey areas in financial management in training institutions. The control measures may include proper recording, certification of all agents auditing financial assets, division and assignment of activities in financial management, creating good financial procedures, good principles and traditions should be enhanced. This will ensure accountability and responsibility among all the concerned parties.

Technological advancement according to Shapiro (2003) calls for electronic financial controls where computerized financial operating systems are used. The institutions should avoid, as much as possible, the use of liquid money and instead apply new technology where handling of liquid money is minimized. Shapiro (2003) observes that few tertiary training institutions and their employees have adequate computer knowledge to access funds electronically. Such computer knowledge would greatly reduce risks involved in handling liquid money in most transactions. The institutions should embrace financial systems where most offices are networked and secret passwords are used for each employee having access.

1.1 STATEMENT OF THE PROBLEM

In the course of auditing the accounts of tertiary training institutions, the auditors have constantly discovered cases of *mismanagement* of funds and utter *disregard for regulations* governing the management of finances. Many principals/managers, cashiers,

accountants or bursars have been accused of theft, misplacement, misapplication, misuse or even spending the institutional finances on personal expenses. Koech (2000) in the TIQET report state that poor financial management practice has contributed to increased costs and poor returns for the amount spent. Ayot (1992) has categorically stated that researches have been undertaken to see if better results could be obtained for the money spent, or at least the same results produced at less cost.

Koech (2000) reports, that it is only in the educational institutions where annual turnover of over 10 million shillings are managed by low qualified accounts clerks. Some principals according to Koech (2000) have no idea of the most elementary sound financial management practices. They also plan and implement expensive projects where they misappropriate funds. The Koech (2000) argument is that the country may not be spending too much on education but only using the available resources inefficiently. Financial controls that are 100% effective or flawless are difficult to establish. The *Financial Management Manual (2007)*, sets a uniform and sound financial management policy for all tertiary training institutions. Establishing sound financial management practices is a complex problem because it requires authority, power, favourable circumstances, techniques, adequate time and some valid financial reasons.

1.2 PURPOSE OF THE STUDY

McLaney (2006) states that financial management decisions are important because they involve substantial amounts and once made are not easy to reverse. This study deals with the pertinent financial management practices in tertiary training institutions. The researcher has carefully investigated the various financial management practices according to the *Financial Management Manual (2007)* so as to analyze those that are good or bad. This has ultimately provided useful information for developing proper financial management policies for all tertiary training institutions.

1.3 OBJECTIVES OF THE STUDY

The following objectives were formulated to the study:

- i. To analyze good or bad financial management practices by audit and inspection.
- ii. To determine how proper financial records are maintained in the institutions.
- iii. To identify the source of power or authority through corporate governance.
- iv. To establish control of financing the budgeted activities in the institutions.
- v. To recommend on the best financial management practices in the institutions.

1.4 RESEARCH QUESTIONS

The study was guided by the following research questions.

- i. Which characteristics determine a good or bad financial management practice?
- ii. How are the financial management records maintained in the institutions?
- iii. Where is authorization and power of the various financial activities obtained?
- iv. How do you control financing of the budgeted activities in the institutions?
- v. What ensures optimal financial management practices in the institutions?

1.5 SIGNIFICANCE OF THE STUDY

The study was expected to generate vital information useful to the institutional policy-makers, employees, clients, affiliated financial institutions, researchers, government and the society at large. The information obtained may be used to address difficulties or challenges in identifying the best financial management. It may enable the tertiary training institutions to operate an efficient and effective financial management policy. This reduces risks of loss and arbitrary decisions that could be made by the managers. The policy-makers may use the research study in formulating the best policies and procedures aimed at assisting or addressing the financial challenges and problems.

The information obtained will assist trainees and suppliers in understanding why various rules and regulations should be followed in receiving and paying for services. This reduces misunderstanding between institutional managers and other their clients.

Other training service providers such as high schools may also benefit from the information obtained because their financial activities may be similar to those of tertiary training institutions. The findings are of much help to future researchers because it stimulates areas of further research.

1.6 LIMITATIONS OF THE STUDY

The researcher experienced the following limitations:

- a. The researcher covered a few areas, persons, and activities of financial management but ensured that all necessary information was obtained.
- b. The respondents withheld some information and at times were uneasy in divulging some information concerning financial assets even when persuaded.
- c. The researcher was not allowed to be part of the team managing liquid money due to stringent rules and regulations in some institutions.
- d. Unsatisfactory and irrelevant answers featured where respondents were tired, busy, untrained, inexperienced and lacked honesty.
- e. Other environmental factors like internal politics, regulations, legal, economic, cultural, social and personal bias limited the convenience of the study.

1.7 SCOPE OF THE STUDY

The study covered tertiary training institutions operating in Nyeri North and South districts. The main activity studied was financial management. The tertiary training institutions visited include Nyeri Technical Training Institute, Kenya Institute of Management (KIM- Nyeri branch), Kimathi University College of Technology (JKUAT-campus), Rware College of Accountancy, Kenya Methodist University (Nyeri branch), Nairobi University- Nyeri campus, Mountain Top College, Kenya Institute of Professional Counselling amongst others as shown in the appendices. The study obtained information from the institutional managers or principals, departmental heads, sectional

heads, accountants or bursar and cash officers. Then government and other related officers totalled to at least 80 persons approached.

1.8 ASSUMPTIONS OF THE STUDY

The study assumed that the tertiary training institution's financial matters were accessible and provisable. It also assumed that respondent's jobs would not be threatened or put in jeopardy after giving the necessary financial information. Personnel sought were expected not to influence each other in attitude, involvement, past experiences and future expectations. The study was expected to be useful to all participants involved and the stakeholders of the institutions by providing important financial information that may fill some gaps. The financial management practices were expected to be many and varied, but ultimately affected efficient service delivery in tertiary training institutions.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The Ministry of Education issued a *Financial Management Manual (2007)*, and an earlier one called *Financial and Accounting Instructions for Educational Institutions* in 1991. These documents clearly stipulate the practices and hierarchy of authority in management of finances in schools. Eshiwani (1993) says that heads of the institutions are personally answerable to their Boards, P.T.A, to the Ministry of Education and indeed to the general public, for all expenditure arising from donations or grant-in-aid, contributions, school fund, caution money, fees, harambee money and all other revenues accruing to the training institutions.

The Koech Report (2000) states that, Finance Officer/Bursar works under the general direction of the head in all matters and is only responsible to their heads of the institutions. *Financial Management Manual (2007)*, shows that the finance officer/bursar will undertake the administration and accounting of all finances of the institution but it is the duty of the head of the institution to control the expenditure. All local purchase orders must be signed by the Finance Officer/Bursar and authorized by the secretary to the Board of Governors who must ensure that funds are available to meet such purchase before signing any local purchase/service order.

Financial Management Manual (2007) also ensures that financial resources allocated to the TIVET (Technical, Industrial, Vocational and Entrepreneurial Training) are used for the intended purposes efficiently, effectively and economically. Koech (2000) suggests that the government had to strengthen and streamline financial management practices in TIVET institutions in Kenya. The *Financial Management Manual (2007)*, continues to show the financial management information in the areas of planning and budgeting, receiving, spending and recording, and reporting. It states that auditors, technical quality

assurance and accreditation officers, technical education officers and other stakeholders are now equipped with information and tools for evaluating the implementation of the generally accepted and laid down financial policies and regulations in educational institutions.

2.1 AUDIT AND INSPECTION POLICIES

Millichamp (2002) states, that auditing should be a thorough investigation of all accounting procedures in an organization. Koech (2000) in the TIQET report recommends strengthening of monitoring and supervision of the management of funds in schools through annual audits and impromptu audit inspection exercises, to ensure efficiency and cost effectiveness in the use of resources. *The Education ACT Cap.211 (1980)* is the main policy document that every tertiary training institution uses as a guideline in the management of financial resources. The document states that the minister shall appoint officers with authority to enter and inspect any school, or any place at which it is reasonably suspected that a school financial matter is being conducted, at any time, with or without notice, and to report to him with respect to the school or any aspect thereof.

The Act Cap 211 (1980) states that officers shall inspect or audit the accounts of the school or advise the manager/principal of the school on the maintenance of accounting records, and may temporarily remove any books or records for the purpose of inspection or audit. When requested by an officer/auditor, the principal of the school shall place at the disposal of the officer/auditor all the facilities, records, accounts, notebooks, examination scripts and other materials belonging to the school that the officer may reasonably require for the purpose of the inspection of the school or audit of accounts.

Kamunge (1988) reports, that government supervises and inspects its own vocational and technical institutions as well as those in the private sector. However, in other government and state institutions offering tailor-made training programmes, there is no unified system

of providing such supervision and inspection. Kamunge (1988) also states that the technical and vocational inspectors are inadequate. These personnel have recently been increased in the year 2008.

According to *Education Act (1980)*, an officer inspecting a school under the Act shall have special regard to the maintenance of educational standards and to compliance with any regulations made. According to the *Accounting Manual (2007)*, "School" includes buildings used in connection with the school such as workshops, dormitories, kitchens, senatorial, hostels, ancillary buildings and any other buildings on the site of the school.

The Education Act cap.211 (1980) stipulates that the annual account of institutions are required to be audited by the Audit Unit of the respective ministry or in special cases, by an approved firm of accountants as directed by the Permanent Secretary for Education. Millichamp (2002) suggests the audited accounts to be submitted to the stakeholders through the accounting officers i.e. Permanent Secretary by 31st March of the following year. Heads of the institutions are required to submit their books of accounts and financial statements and any other document to their District/Provincial Education Officer by 31st January of the ensuing year.

NB: The objective of the audit, although it includes the examination of cash transactions, has as its ultimate aim the verification of the financial position as disclosed by the Balance Sheet and Income and Expenditure Account of the institution.

Privatizing school audit and inspection: Sande Olocho(2006) carried out a research and reported some views held by many people regarding inspection of schools. In *The Education Watch – Vol. 016, 2006*, he proposes a dramatic shift in the whole quality assurance process. Even with the changing of the title of school inspectors to Quality Assurance Officers, the inefficiencies of yore still persist. With academic standards in

most of our schools still on a downward spiral, the school inspection process seems helpless to halt the trend.

Olocho (2006) says the Ministry of Education changed the name of school inspectors to Quality Assurance Officers (QASOs) ostensibly to inculcate the qualitative dimension in the process. The onus of ensuring financing a qualitative education is the mandate of these officers. TSC (2007) in the teachers' image says that they hold seminars and workshops for new headteachers. Quality has more to do with inspection, and it is the QASOs who are supposed to establish financial controls to ensure quality of the education delivery system. In auditing, Millichamp (2002), states that when we refer to quality, we mean that pertaining to excellence and high standards. Financial relevance assumes a symbiotic relationship with quality as well.

The government should seriously consider investing in those systems that will ensure quality education and where applicable, enhance that quality. Privatizing the inspectorate is one sure way of doing this. Kenya will not be the pioneer in this area; there are other places where it is already working very well. The school inspectorate services should be very much what auditing is in accounting circles.

School inspection needs a new face. Millichamp (2002) elaborates that inspection is not about looking for mistakes, but rather it should be intended to focus on diagnostic and interventions. To ensure that all teachers are brought to account for their actions without politicizing or personalizing issues, Olocho (2002) suggests that it would be ideal to privatize inspectoral/quality assurance systems. The Ministry of Education is so bloated with roles and duties and runs as one rogue secretive monopoly. The initial steps to departmentalize and delegate roles and duties of the Chief Inspector (Now Quality Assurance Director) and Director of Education (Now Education Secretary) have brought a draught of freshness to the Ministry.

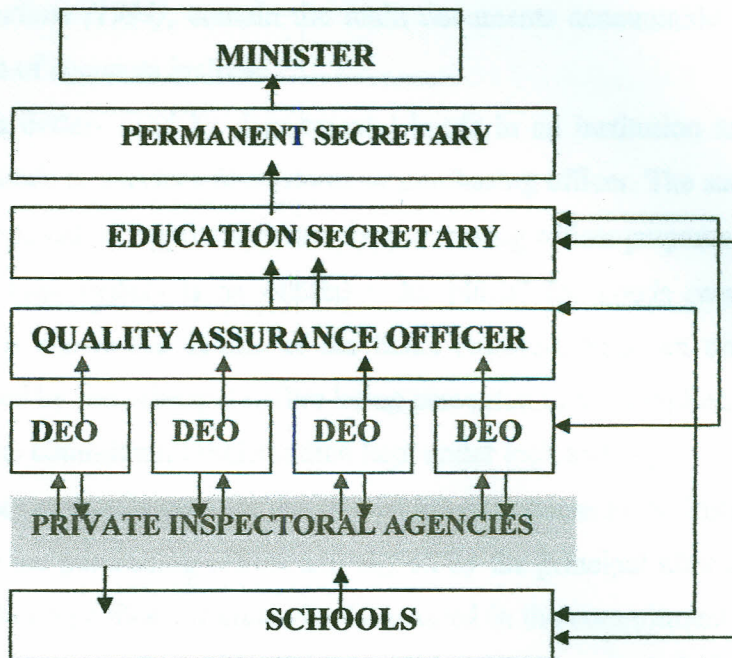
The current numbers of inspectors in the country are grossly inadequate according to Koech (1999) and need a boost. According to the ministry's own statistics, the country has a shortfall of QASOs. The Ministry of Education has tried some stop-gap measures to improve the inspection process. Recently, it brought motorbikes in a hopeless bid to improve the QASO's mobility and hopefully, efficiency. However, it is the whole structure that is defective and a move like this is a case of throwing good money after bad. The private inspectors, if accepted, Olocho (2006) states that they will work as follows:

1. The interested agencies and consultancies will be sought.
2. The interested agencies will bid for the inspection jobs all over the country.
3. The bidding agency will specify the region or area it is going to cover.
4. The selected agencies will then sign up a 6 month terminal contract with The Ministry of Education to lay down the procedures and criteria of the MoE. The contract would run from March to August of the given year.
5. The agencies will conduct professional inspections and submit comprehensive and professional reports to the MoE through the District Education Officers.(DEOs)
6. The Ministry of Education (MoE) will retain a small number of inspectors at its Nairobi headquarters to oversee the whole exercise and filter the necessary recommendations to the relevant organs of the government.

Olocho (2006) proposes that private inspections will benefit the stakeholders in the efficiency of the whole inspection as follows:

- Transparency and accountability on all financial matters.
- Quality of education ascertainment.
- Fairness in the inspection as there would be no vested interests.
- A high standard of professionalism.
- Huge savings on education costs.

Figure 2.1: Diagrammatic illustration of proposed new inspectorate system



Source: *Education Watch – Vol. 016, 2006*

2.2 RECORD KEEPING

Eshiwani (1993) states that the government funds are expected to be remitted to schools and the heads of the institutions are accountable for all the funds given to the schools. Koech (2000) states that, books of accounts are kept by the bursar or the accounts clerk. *Financial Management Manual (2007)*, was issued by the Ministry of Education to regulate and guide record-keeping in tertiary training institutions. Eshiwani (1993) further states that, the MoE always stipulates the various records that must be prepared and availed for audit purposes. Records carry details of financial management especially controls and according to Millichamp (2002), they form the basis of auditing and inspection.

Financial management manual (2007) and Financial and Accounting Instructions for Educational Institutions (1991), contain the main documents accountable in education and training. Books of accounts include:

- **Requisition order-** used by departmental heads in an institution to request for supply of goods or services from stores or purchasing officer. The same is passed on to the principal for approval before the purchasing officer prepares an L.P.O.
- **Local purchase order-** is an official order placed for goods required by the institution. It shows the details of the items required. Such an order must be countersigned by the principal before being presented to the supplier. It should be entered in the commitment register then kept under lock and key.
- **Local service order-** is used for the acquisition of services to the institutions. It is prepared by the purchasing officer and signed by the principal after the signature by the purchasing officer. It must also be entered in the commitment register and remain under lock and key. The other types of stores ledger include the following; permanent stores ledger, consumable stores ledger, expenditure stores ledger, stores inventories.
- **Receipt books-** this must be printed by the government. They must be serially numbered and be provided with duplicate counterfoils. The controls are to record the counterfoils in a register and a signature obtained for each issue. A receipt must be issued for all sums received as income, grants, rent, bursaries and sums received in the form of cash, cheque, banker's cheque, money orders, postal orders and others. The original is dispatched to the donor of the amount while the counterfoil is retained for audit purposes as evidence of the source of revenue. The receipt must be kept under lock and key. Any money received through the post must be recorded in a register. When cash, cheque, money orders and postal orders are paid into the bank, a duplicate of the bank pay-in-slip should be filed in the statement file for audit. All revenue received should be debited in the cash book.

- **Collection of school fees and other monies** is the responsibilities of the Bursar or Finance Officer. Cash received by the Cashier or the Accounts Clerk should be recorded in the receipt voucher when handing over the money to the Bursar. This should be filled in triplicate. A student should be issued with a receipt and a duplicate retained. It is the responsibility of the principal to ensure that all school fees are brought to account in the cash book daily and promptly banked intact. Under no circumstances should revenues be used to meet cash payments.
- **Commitment register-** it enables the head to readily verify the amount available on a particular vote-head. The register should be maintained in line with the vote-book.
- **Fees register-** is a standard analysis book used in conjunction with students' card to record all the information about each student.
- **Attendance register-** records daily attendance of each student.
- The other documents that should be kept include: rent and service register, telephone call register, contract register, official payment voucher, over-expenditure and virements (re-location of money).
- **Cash book-** is a register of all transactions pertaining to receipts, payments and banking. The cash on hand should be reconciled with the balances reflected in the cash book. The difference between the two figures should equal the amount of physical cash held in the safe, imprest, warrants, cheques, cash sales, money orders, postal orders and R/D cheques.
- **The ledger-** is an extract of all transactions recorded in the cash book against each approved vote-head and any other account of the estimates, and any adjustments carried out through the journal, but do not include the cash and bank balances. The types of ledgers maintained include personal emoluments, tuition and boarding and non-recurrent expenditure.

The following are some institutional accounts that must also be maintained. The accounts prepared according to the *Financial Management Manual (2007)* include:

- **Main Account-** is the account to which should be credited all the moneys received by way of grant-in-aid, fees revenue, house and furniture rents, electricity and water charges recovered from staff occupying institutional houses. Revenue fees from the sale of old and obsolete equipment such as beds, furniture, generators, lost textbooks, etc, should be credited to miscellaneous revenue. Development grants received from the ministry in respect of buildings, permanent equipment, and special provision of a non-recurrent nature should be retained in a separate savings account with the bank.
- **School fund and other monies account:-**is to which contributions from parents in respect of industrial arts account, domestic science account, activity fee, uniforms, and sports fund and medical fees should be credited. Money from farm account, unofficial boarding funds, donations, and harambees among others should be credit here.
- **Farm account-** this is maintained if the school has farm as part of it revenue source.
- **Salaries and wages Account-** this document is used to pay the non –teaching staff in the institution. Such employees are under the Board of Governors. The payroll bears details of the employees and all the income and statutory deductions, union dues and other recoveries from the employees’ salary.
- Finally, Trial Balance, Balance Sheet and Income and Expenditure accounts are prepared.

2.3 CORPORATE GOVERNANCE

After intensive inquiry in the management of school finances, Koech (1999) in the TIQET report stated that principals should be properly prepared and equipped with the necessary institutional and financial management skills to enable them to manage schools more efficiently and effectively.

The Education ACT Cap.211 (1980), states that the minister may make regulations to:

- (a)Prescribe standards with regard to the numbers and qualifications of staff, the size of classes and the expenditure on educational materials.
- (b)Provide for the preparation or approval of costs in curricula, syllabuses, books and other educational materials.
- (c)Provide for the keeping of registers and records and submission of returns.
- (d)Make different financial provision with respect to different classes or kinds of schools, impose conditions and make exceptions.
- (e)Provide for or prescribe such other financial matters as the minister considers it necessary or desirable to provide for or prescribe.

Functions of board of governors

The Education ACT Cap.211 (1980) has stated the general functions of the Board. Otiende (1992) has shown that Ndegwa Commission suggests a clear close supervision be devised.

Then DEBs and BoGs were said to function as follows:

- a. To prepare/submit to the minister for approval estimates of revenue and expenditure.
- b. To receive grants or grants-in-aid from public or local authority funds.
- c. Administer grant(s) in accordance with approved estimates of expenditure.
- d. To submit to the minister for approval financial plans for the development or promotion of education in the area and to carry out the plans if approved.
- e. To tender financial advice to the minister on the establishment of new schools.
- f. To submit such statistical, financial and other reports as the minister may require.
- g. To superintend the financial management of public schools.
- h. To fulfill such other financial functions as the minister may prescribe.

Financial Management Manual (2007) stipulates that every board shall cause to be kept all proper books of account, and other records relating thereto, in respect of all its funds,

property and transaction, and shall prepare such accounts, in such form, as the minister may prescribe.

The Education ACT Cap.211 states that the minister shall appoint the controller and auditor-general or some other auditor to inspect, examine and report to the board on the annual accounts and financial records of a board, provided that the controller and auditor-general shall not be so appointed without his consent. A board shall cause to be produced and laid before the auditor all information required by the auditor in order to carry out the audit. On receipt of a report from the auditor, the secretary of a board shall:

- i. Within three weeks transmit a copy of the report and of the accounts certified by the auditor to the minister.
- ii. Submit the report and accounts to the board at its next meeting, which shall be held not later than three months after receipt, and the secretary shall, within three weeks of the meeting, forward to the minister a copy of the resolution of the board accepting and adopting the accounts.
- iii. The expenses of audit and incidental to an audit shall be paid by the board, and where the accounts require to be completed by the auditor, the audit fee may take account of the extra work occasioned thereby.

Under the *Education ACT Cap.211 (1980)*, the minister has authority delegated by parliament to issue orders to any tertiary training institution in respect to control of the financial resources.

2.4 FINANCIAL MANAGEMENT OF BUDGETED ACTIVITIES

Otiende (1992) states, that the rapid quantitative expansion of education and the attempts to maintain quality have had enormous financial implications for both government and the public. The partnership between government and other agencies provides finances in running the schools. According to Koech (2000) in the TIQET report, financing of middle level colleges has been in the ratio of 38% by the government and 62% by the households.

Government Financing: - the *Education ACT Cap.211 (1980)* provides that the government finances some education and training activities. The minister in charge of education and training may from public funds:-

- a) Establish, maintain, assist, make grand-in-aid of or make advances on loan in respect of schools such as:
 - Establishments or provision for the boarding or feeding of pupils.
 - Organizations or establishment responsible for educational development or research, or the promotion or co-ordination of education, or the welfare of students;
 - Organizations responsible for the conduct of public examinations.
- b) Make grants-in-aid to any institution of higher education.
- c) Provide for the conduct of such public examinations as is held under the supervision or control of the ministry.
- d) Make grants-in aid to local authorities for the functions entrusted to them.
- e) Provide in whole or in part for the transport of pupils to or from any public school.
- f) Provide for the medical inspection of pupils.
- g) Provide scholarships or bursaries to assist in the education, maintenance and transport of pupils who are undergoing, or proceeding to, or returning from courses of instruction at an institution approved by the minister.
- h) Reimbursement of the expenses of anybody constituted under the Education Act.
- i) Make grants-in aid of, educational conferences, exhibition, display, dramatic or film presentation, sports or other occasions of an educational character or purpose.
- j) Make other provisions for carrying on education as may be consistent with the Act.

Grants-in-aid may be made for either capital or recurrent purposes. Thus the Minister may make regulations prescribing:-

- i. The conditions upon which grants may lawfully be made out of public funds for the maintenance or assistance of schools, organizations or establishments may be made.

- ii. The fees to be charged or remitted at any school which receives a grant out of public funds, and the liability of parents for the payment of fees.
- iii. The manner, in which scholarships or bursaries may be granted, increased, reduced or withdrawn.
- iv. The manner in which the grants are made to any institution of higher education.
- v. Any other matter with respect to public funds relating to the submission of estimates, the maintenance and submission of accounting records, the use to which grants may be applied and the disposal of surpluses and reserve funds.

Financing through TSC:- The *Teachers Service Commission Act Cap.212 (1968)* provides for control of finances in government-aided schools. The minister may make to the Commission such grants as may be necessary to enable the Commission to pay the remuneration of teachers, the Appeals Tribunal and the Committees.

TSC Act Cap.212 (1968) further adds that any sum not applied by the Commission for the payment of the remuneration of any teacher assigned by the Commission for service in a school assisted by the Ministry for the time being responsible for education or in an unaided school, shall be repaid to the Commission by the manager of that school, in whole or in part and such times and in such manner as the ministry may, with the approval of the treasury, direct. Any sum directed by the minister to be repaid to the Commission shall be a debt due from and payable by the manager concerned to the Commission and, without prejudice to any other mode of recovery, shall be a civil debt recoverable summarily.

The TSC Code of Regulations (2005) highlights the teachers' salary payment procedures to avoid misappropriation of funds. Salaries and allowances are payable monthly in arrears. Salary and other remunerations shall be paid either by cheque, bank transfer or by cash through the postal system. Cheques and bank transfer in respect of salary or other

remuneration may also be paid on behalf of a teacher who is out of the country in accordance with this regulation, into an account in a name other than that of the teacher, provided that the teacher has given to the Commission signed instructions for the purpose.

Allowances payment:-TSC Code of Regulations (2005) provides for several allowances to teachers such as:

- *Travelling allowances* are normally reimbursable by TSC through a procedure that prevents overpayment in schools. The Commission shall reimburse travelling expenses at government rates, including the traveling of a spouse and up to four unmarried children who are dependent on the teacher up to their 22nd birthday, plus the cost of transporting the personal effects that such members of his/her family incurred in traveling. The Teachers Service Commission shall make all the reimbursements on first appointment, on transfer to another district provided the teacher does not initiate the transfer. Any teacher who travels in accordance with the provisions should apply to the Commission or its agents for reimbursement of his/her travelling expenses by using the form prescribed and attaching the necessary supporting receipts.
- *Maintenance allowances* are payable by TSC to a teacher attending a course of training outside Kenya. Thereafter, the teacher will be expected to meet his/her basic and other living expenses from maintenance allowance awarded under the terms of the scholarship.
- *Subsistence allowances* when travelling on duty outside Kenya are also payable to teachers by TSC. The daily rates of subsistence allowance payable to a teacher shall be those applicable to other officers in the Public Service, of corresponding grade, as published from time-to-time on approval by the Kenya Government. Such allowances shall include entertainment, local travelling and incidental expenses outside Kenya.

- *Motor vehicle allowances* are also payable to teachers in some cases as in accordance to acceptable procedure.

Financial advances: - This is normally offered to prevent payment being made from the schools' other funds. *TSC Act Cap.212 (1968)* states that an advance is a form of temporary financial assistance granted by the Commission to a teacher in certain circumstances. It must be liquidated under specified conditions and within a limited period of time. The advances for the purchase of motor vehicles and new refrigerators are provided by the commission.

Imprest system- Machio (2007) observes that to carry out official duties, teachers and their subordinates seek for imprests. They are consistently subjected to unnecessary queues and harassment from school secretary and bursar. There is often no confidentiality according to Machio (2007) as regards imprest owed and unaccounted for. As teachers endure these financial tribulations, some heads feign lack of financial control over them. The net effect is low morale and discontent among the teaching and non-teaching fraternity leading to inevitable deplorable performance.

Financial disciplinary measures: Koech (2000) in the TIQET shows the factors that affect education. In particular, lack of control by government has made education unaffordable to many. The situation is made worse by the fact that although many parents complain of mismanagement of school funds, very few corrupt or inept heads are ever disciplined. In every control, Koech (2000) recommends that there is need to curb the indiscipline cases. This acts as corrective measures that bring back sanity in any financial management practice.

The TSC Code of Regulations (2005) states cases which warrant disciplinary such as:

- i. Actual loss or destruction or damage or failure to account for the disposal of public money or property movable or immovable.

- ii. Non-collection of any authorized monies due or belonging to the Kenya Government, Board of Governors or District Education Board.
- iii. Payments or liabilities incurred without authority or in excess of authorized.
- iv. An authorized use of institutional vehicle or any other property.
- v. Compensation and similar payments, legal and court costs and any other additional expenditure or liability incurred which was avoidable and need not have been incurred.

If any time public funds or any institutional funds sustain a loss in consequence of the neglect or fault of a teacher, *The TSC Code of Regulations (2005)* state that he/she will be held to have incurred a pecuniary liability in respect of the loss, and if no satisfactory explanation is given, disciplinary action will be taken against such a teacher. Where an allegation is made against a teacher that he/she mismanaged/misappropriated funds, Koech (2000) proposes the Commission using audited accounts should investigate and if such a teacher has a case to answer, disciplinary action be taken.

Non-teaching staff remuneration: - Koech (1999) in the TIQET states what needs to be done in order to strengthen management of finances while paying the various categories of staff. He recommends rationalization of staff payments in order to ensure optimum utilization of the available manpower. In particular, there should be a drastic reduction in administrative and support staff expenditure.

Peter silsil (2006) says that schools employ cadres of professionals to serve in certain sections in their establishment. These include accountants, clinical officers/nurses, procurement officers, librarians, laboratory assistants, secretaries, store keepers, computer programmers, cateresses, etc. They also hire non-professional staff such as messengers, artisans, copytypists, cooks and grounds men. For salaries and wages, schools rely heavily on the Civil Service Scheme. Peter Silsil (2006) conducted a survey

and was shocked by the disparities in remuneration owing to lack of a scheme of service for the non-teaching staff.

In the *Education Watch*, volume 11, December 2005–January 2006, Silsil reports the confusion that exists in remunerating the non-teaching staff. Since the government stopped offering grants to schools to meet non-teaching staff salaries and allowances, many schools in the country have been pressured on how to remunerate this cadre of staff. Machio (2007), states that the Ministry of Education discontinued paying non-teaching staff in 1993 leaving the schools to meet the burden from school fees and other income-generating activities. Many schools, whose fees have been collected have fallen back for years, have been unable to meet this obligation, attracting a torrent of boycotts, strikes and their morale to deliver service hitting on all time low.

Non-teaching staff according to Silsil (2006) neither have a scheme of service nor a strong trade union to push for their cause. One union- Kenya Union of Domestic, Hotels, Educational Institutions, Hospitals and Allied Workers Union (KUDHEIHA) which styled itself as their crusader, has since lost teeth.

A Kenya Gazette Notice No. 755, 1993 and signed by the Minister for Education, advises school boards of governors to remunerate workers on terms and conditions similarly to those of the mainstream civil service. This has been a recipe for confusion in controlling payment to the subordinate workers.

An attempt has been made by a number of schools to apply the Civil Service Code, but according to Machio (2007), most of them have defaulted in following up with the various controls and reviews on salaries and allowances over the years. Some schools do not even have a control structure on matters relating to non-teaching staff. The discretion is left to school boards.

Machio (2007) gives an example of a school that charges Kshs.8, 400 per student per year to meet non-teaching staff salaries. The institution has implemented an automatic House Allowance Scheme for its workers pegged on the Civil Service Code. Machio (2007) says that the situation at another school is different. The school doesn't follow the Civil Service scheme of service and has not implemented the automatic house allowance. It charges Kshs.11, 000 per year to pay workers salaries. Machio (2007) concludes that this two institutions have different schemes of control and thus liable to misuse. It is hard to set yardsticks or financial controls for all and that is what the ministry has done.

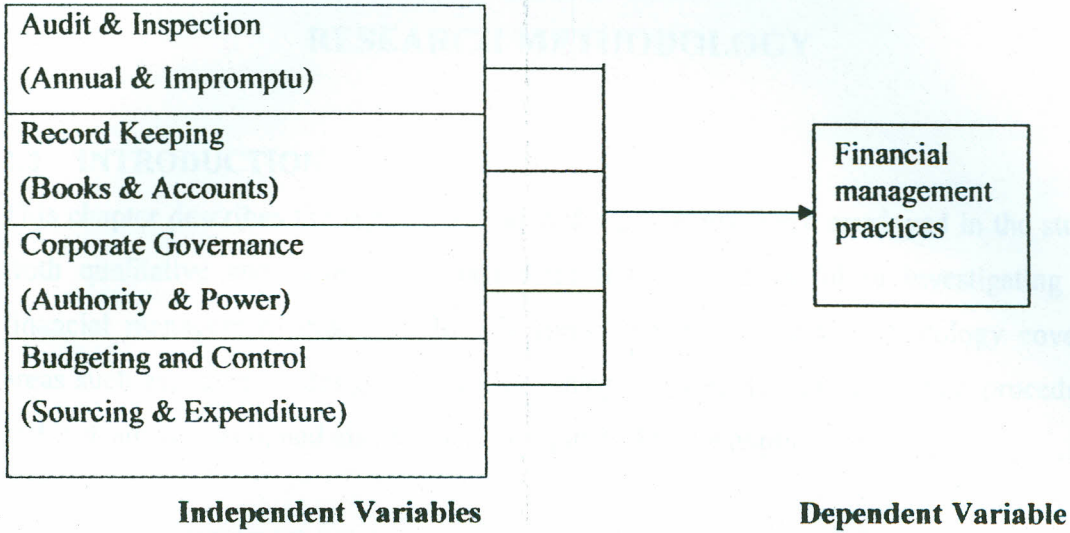
Machio (2007) shows how low pay and defaults in honouring the packages make schools face the risk of continually losing skilled workers to better paying employers. Some principals argue that setting uniform vote-heads controls for the various categories of schools is not possible. Machio (2007) says this is because some schools have good school fees collection records while others don't. Some schools have well-performing income-generating activities while others have no land at all. Some schools have huge goodwill support from the community while others receive many donations. Thus, each school needs different types and number of financial controls.

2.5 CONCEPTUAL FRAMEWORK OF THE STUDY

This study is based on a general idea that there exist various financial management practices in tertiary training institutions that may differ in their nature. The managers are the key parties bearing the ultimate responsibility of establishing and enhancing success of all financial management practices.

The financial management practices is characterized by audit and inspection, record keeping, corporate governance through the board of governors, legislative provisions, rules and regulations and also enforcement through some disciplinary measures. The quality of these factors determines the strength of the financial management practices. A poor financial management practice reduces delivery of optimum services to clients.

Figure 2.2: The relationship between independent and dependent variables



Source: Researcher (2008)

The above figure shows that when management of the institution establishes strong auditing and inspection procedures, their results better financial practices that reduce loss to the stakeholders. Poor financial management can be caused by poor checks.

Also, good record keeping improves the financial management practices, while bad records kept in the institutions allows for a bad financial management practice.

Corporate governance comes with the power and authority and its enhancement improves the quality of all the financial management practices. A poor corporate governance system results in poor financial management practice.

A good budget and its good implementation leads to well managed financial practices. A poor budget can lead to under or over estimation which is a poor financial management practice.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter describes the types of research designs which were employed in the study. Both qualitative and quantitative data were found to be useful in investigating the financial management practices. In this study, the researcher's methodology covered areas such as: research design, population, sampling process, data collection procedures and instruments used, and also the data analysis technique applied.

3.1 STUDY RESEARCH DESIGN

The research design employed in this study was descriptive. According to Mugenda (1999), the design can deal with both observational and scientific description of technical financial management policies. Kothari (2003) has it that the design can also render itself to an accurate description of the variables or characteristics under which the financial management practices lead to effective or optimal service delivery to clients.

Descriptive design according to Mugenda (1999) was used by the researcher to describe individuals, organizations and the industry in education and training. This design is normally used to analyze financial management data obtained by use of questionnaire, observation and interview methods.

3.2 STUDY POPULATION AND SAMPLING PROCEDURE

There are about 19 Tertiary Training Institutions in Nyeri North and South districts who offer training and education services to individuals and groups of business community. The researcher was investigating financial management practices in technical, teacher, accounting, police, and medical training institutes among other tertiary training institutions. The specific institutions visited include Kenya Institute of Management (KIM-Nyeri), Kimathi University College Technology (JKUAT-campus), Rware College

of Accountancy, Kenya Methodist University (Nyeri branch), Nairobi University- Nyeri campus, Mountain Top College and Kenya Institute of Professional Counseling. These and other tertiary training institutes are shown in the appendices.

The researcher obtained information from at least 80 individuals among the employees and other stakeholders. The researcher collected data from senior and subordinate staff equally. Others included Ministry of Education Officials and TSC officials. These parties gave important information from their areas which touched on the financial management practices.

The researcher collected data from all departments or units involved with financial management decisions. The sample unit of over 80 persons was determined randomly from the list of all institutes and employees sought from each department or unit. The sample unit included managers/principals, supervisors/H.oDs, auditors, school inspectors, financial accountants/clerks, cashiers and other persons involved in financial management. All these parties are summarized as follows:

Table 3.1: The number of persons expected to be sampled

SAMLPE UNIT	NUMBER OF STAFF	SAMPLE SIZE	SAMPLE PERCENTAGE (%)
Managers/Principals	76	19	25
Supervisors/H.O.Ds	130	38	29
Cashiers/clerks	57	19	33
QASOs/Inspectors	6	2	33
T.S.C Officers	10	4	40
<u>TOTAL</u>	<u>279</u>	<u>82</u>	<u>30</u>

The above table shows the number of persons sampled from the various categories of staff in all the tertiary training institutions. It clearly shows that the HoDs were the largest category and the QASO or school inspectors were the least expected category of the

respondents. The sample was assumed to be a representative of the total number of staff concerned with financial management practices.

3.3 VALIDITY OF THE SAMPLE

The validation involved determining if the sample is representative of the population. The sample of the training institutes taken represented some of the best institutes in the country. The sample units chosen were determinants in establishing and implementing financial management practices. The researcher visited tertiary training institutions in Nyeri North and South districts who offer varied training such as medical, accountancy, teaching and management courses. Other institutions in the country have similar activities. The research does not contradict earlier researches carried out in the financial management.

3.4 DATA COLLECTION PROCEDURES

The nature of the study used questionnaires, observation schedules and interview guides for collecting data. Kothari (2003) states, that primary and secondary data as well as qualitative and quantitative data are collected. This was accurately done. The data collection tools were structured in a manner to allow the researcher probe further on any issue concerning tertiary training institutions, financial management practices.

Questionnaires were in three parts. Each contained personal data and obligatory data of each respondent so as to obtain information regarding academic, skills, experience, financial duties among others. It contained questions on financial management practices and how they affect optimal service delivery to customers. The questionnaires were delivered in person to the stakeholders themselves after adequate permission had been sought from the respective management or authority.

Observation of financial management procedures was participatory where a checklist was used. The researcher watched, listened and recorded the activities in a schedule. Mugenda

(1999) states, that interview involve collecting data through talking to the finance staff and other persons while recording their responses. Thus a face-to-face interview was conducted to obtain in-depth financial management information.

3.5 DATA ANALYSIS AND PRESENTATION

The quantitative data in numeric form were analyzed using statistical techniques and descriptive techniques. According to Sekarani Ummah (1992), the technique helps to determine the existence of efficient and effective use of financial controls in institutions. Descriptive statistical techniques such as mean, median and standard deviation according to Kothari (2003) help in reaching a better conclusion and give well advised recommendation.

The data have been organized in categories that try to bring out to the users, the various financial management practices. The inferential statistics according to Mugenda (1999) help to create a general idea on what are the common decisions controls for a manager or employee involved in financial management. The quantitative data include the number of employees, number of procedures, financial amounts and time estimates. The data presentation includes discussions, tables, graphs, and charts. Each presentation is able to stand alone without being dependent on the others.

The qualitative data included description of procedures, general view of financial controls, description of financial controls and management. Qualitative data also include legal provisions, sources, and functions of the board and inspection procedures.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter addresses the findings of financial management practices in tertiary training institutions. The analysis and presenting of the data into meaningful information has been construed using descriptions, tables, and graphs. A sample of 75% of all the tertiary training institutions in the study districts were taken where the data were collected. The data was collected using questionnaire, observation and interview schedule. The results are presented and interpreted as follows:

4.1 RATE OF RESPONSE

The response was very good as shown by the following analysis in a table. The rate of response shows expected and the actual number of the institutions, department and the persons in each institution as a whole in the study.

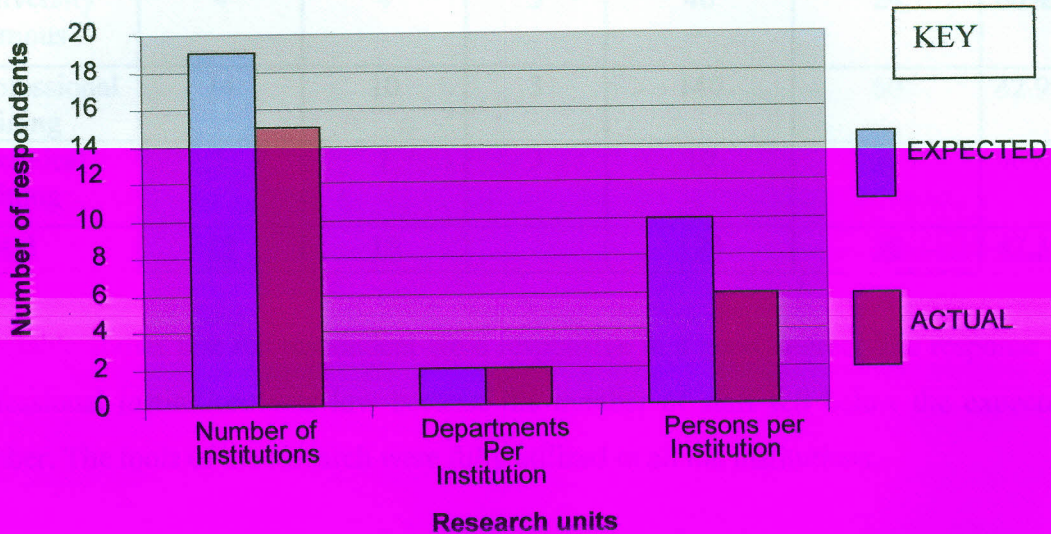
Table 4.1: The number of institutions, departments and persons responded

Research Units	Expected	Actual	Success Percentage (%)
Number of Institutions	19	15	78.9
Departments per institution	2	2	100
Persons per institution	10	6	60
TOTAL PERCENTAGE			<u>79.6</u>

Despite the many difficulties encountered in the actual research work, the overall response rate was higher than average i.e. over 79.6%. The highest response came from departments because the planned number achieved was 100% while the lowest response was 60% which was made up of the number of persons who gave information per institution. The few institutions not fully researched (i.e. four) were said to be either

legally prohibited from individual researcher, unauthorized by their headquarters while others had closely guarded secrets which they feared could affect their operation if the researcher had them. Most of the responses were obtained from the use of the questionnaire, observation and lastly the interview. Many principals and managers of the institutions visited were contacted through appointments and many of whom went on postponing. The researcher ensured that all the cash departments of each institution were well-covered by use of the three data collection methods. The responses are presented in figure 3.1.

Figure 4.1: The responses from the research units



The following data were collected or obtained from 15 out of the total 19 institutions where the researcher hoped to investigate within the two Nyeri districts. This revealed a success of over 79% in the research process. The questionnaire was administered in all the 15 institutions visited. Observation was also 100% successful because the researcher visited all the institutions expected and talked to the authorities before any attempt to conduct the research. The researcher made notes on the arrangement of various working stations, procedure of the activities that took place at the particular research moment, and the questions that the clients posed as enquiries in each tertiary training institution visited.

Interview method was over 50% successful because most respondents gave the necessary information but had little time to offer the researcher. The interview involved asking questions on the specific roles played in financial matters, the functions and purposes of some policies in the financial management practices. The following is a summary of where the research tools were applied in the research study among the various tertiary training institutions.

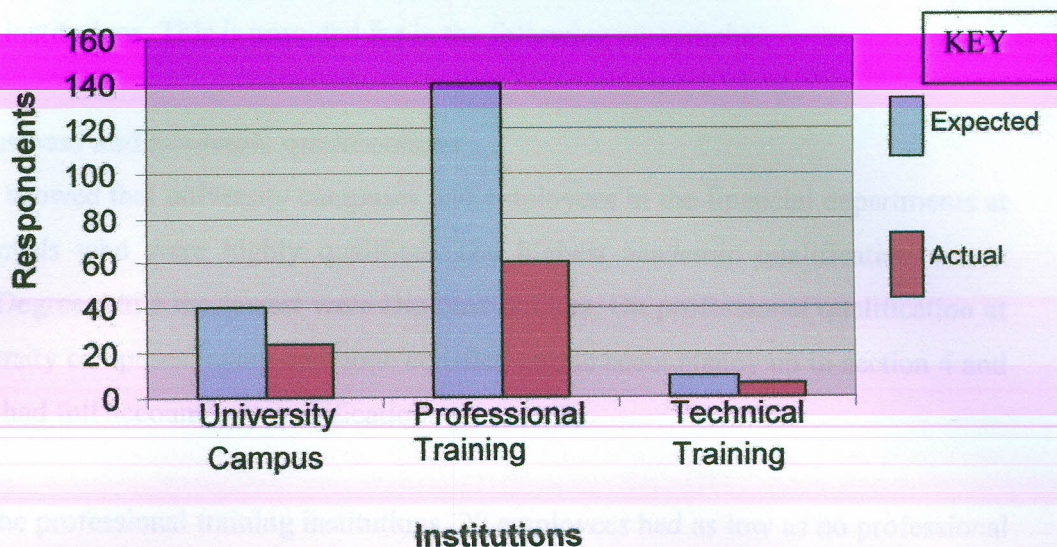
Table 4.2: The categories of the institutions visited and individual success achieved

Institutions	Expected Number of Institution	Researched Number of Institution	Number of Tools Applied	Number of Expected Respondents	Number of Actual Respondents	Success
University Campus	4	4	3	40	24	60%
Professional training	14	10	3	140	60	42.9%
Technical training	1	1	3	10	6	60%
Total	19	15		190	90	47.3%

This table shows that the respondent were responsive in a good degree. The response in professional institutions was low because the number of staff fell below the expected number. The tools of the research were fully utilized in all the institutions.

The above table can be presented in a graphical form as shown in the following bar graph. The graph shows that, in the universities and technical institutions the researcher was able to collect data in all the campuses. The difference in the size of the bars is due to non-response that was experienced. The professional institutions especially the private ones had a shortage of four institutions.

Figure 4.2: The number of respondents from the Institutions



The university campuses or centres were Nairobi University, Methodist University, Kenyatta University 10L and Kimathi University College of Technology (JKUAT-Campus). The professional training institutions were specializing in teacher training, medical training, computer studies, accountancy course, secretarial courses, business management and hospitality training. The technical training institute visited was Nyeri Technical Institute in Nyeri town. The respondents from each institution were 6 in number where the three tools were administered. This gave a total of 90 respondents from the institutions. The researcher used the interview method to collect data from the quality assurance officers and auditors who numbered two. Thus a total of 92 respondents were used.

4.2 RECORDS KEEPING

This is one of the most important functions in any institution. This is because the future plans normally rely in the history that is mostly recorded in the books of accounts. The sensitive issue of the financial management needs a pool of well-qualified personnel who can be able to produce professional work and also solve the financial problems while recording the various financial transactions. The researcher took time to know the

professional and academic qualifications of the employees dealing with financial matters in all the institutions. This is provided for in the following paragraphs.

a) Professional and academic qualifications

The data showed that university campuses had employees in the financial departments at branch levels who were highly qualified. The highest academic qualification was a Masters Degree while the lowest were Diploma holders. On professional qualification at the university campuses, many had done certified public accountancy up to section 4 and only one had full accountancy qualification.

Among the professional training institutions, 20 employees had as low as no professional qualification while the others had also studied professional accountancy and 6 had secretarial studies. Many had undergone seminar workshop and short-courses training on financial matters. Surprisingly, 11 bursars were from four leavers with no professional or university education.

Example, looking at the technical training institutions investigated, the bursar had no professional – qualification, and assistants had A-level certificates and CPA I while the other 3 officers had no degree qualification but CPA II and a certificate in purchasing and supplies. Financial management experience among the respondents was observed. Some were highly experienced as old as 30 years in their jobs while the least were 2 years in their jobs.

The following table shows a summary of qualification among the employees handling financial transactions among the tertiary institutions.

Table 4.3: Experience among the employees handling finance in the institutions

Experience	Tally	Frequency	% of Employees
0 -5	IIII III	8	11
5 - 10	IIII IIII IIII II	17	23
10- 15	IIII IIII I	11	15
15 - 20	II	2	3
20 - 25	IIII	4	5
25 - 30	II	2	3
Unknown	II	31	40
Total		75	100

From the above table, it can be observed that the employees had varied experiences from a few days at work to many years of service. The most experienced employees had over thirty years at their current working station. Many employees as much as 17 had 6-10 years of service. A big number of employees did not know their exact years of their service under the financial management. This information can also be shown on a line- and a pie chart as follows.

Figure 4.3: The number of employees and their relative experience

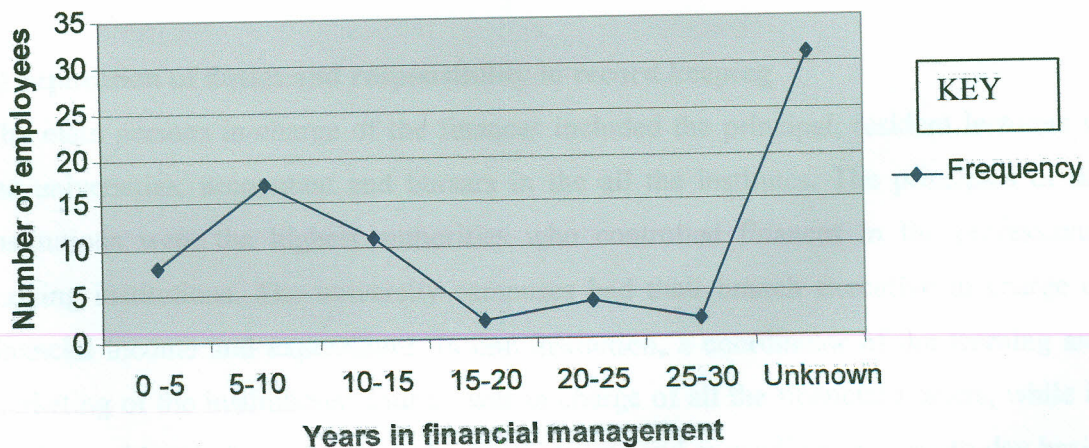
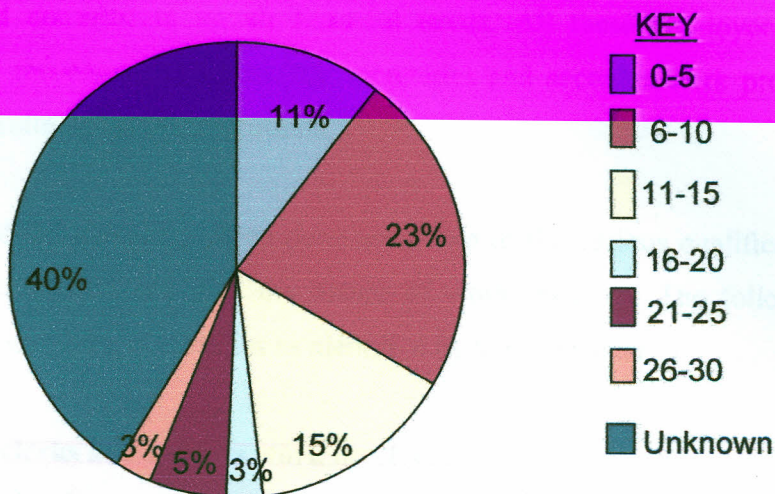


Figure 4.4: A pie chart showing the number of employees and relative experience



The largest sector of the pie chart shows that many employees do not know the number of years they have worked in the financial department. This was attributed to the job rotation and change of their work stations.

The number of permanently employed employees averaged 3 in each institution. The rest were on contract and/or casual basis. Their designation or job descriptions were: accountants, bursar, assistant bursar, accounts clerk, administrators, branch executive and administrative assistants. The permanently employed employees were all in job group H among the middle level training institutions.

b) Separation of duties and responsibility in record keeping

The main persons in-charge of the finances included the principal, resident lecturers in the universities, accountant and bursars in the all the institutes. The principals of the institutions were the highest authorities who controlled finances in the professional training institutions. The university campuses had their branch executive in charge of financial income and expenditure. In one institution, a coordinator of the learning and marketing of the institutional courses was in charge of all the financial matters, while in another resident lecturers were in charge of income and expenditure on day-to-day basis.

The administrator's duties included preparation of fees returns, overseeing financial management and consultation on all financial needs. All these employees are also custodians of all records on finances. The secretaries and accounts clerk prepared and issued receipts in almost all the institutions.

The separation of the duties had been done according to the various qualifications that each employee possessed and also the nature of work involved. The following is a summary of duties and responsibilities as identified by the researcher.

c) The accounts clerks and bursars work involved:

- (i) Analyzing financial records
- (ii) Issue fees balance reports/schedule
- (iii) Keeping the financial records
- (iv) Receiving and receipting monies received
- (v) Banking of monies and cheques.
- (vi) Preparation of trial balance
- (vii) Preparation and keeping of ledger
- (viii) House rent and fees collection
- (ix) Maintaining petty cash schedules
- (x) Maintaining of cash book
- (xi) Closing books of accounts
- (xii) Advising the principals on all financial matters.
- (xiii) Heading accounting department.
- (xiv) Supervising payments of BoG employees
- (xv) Monitoring income-generating projects
- (xvi) Preparation of payroll
- (xvii) Preparation of invoices for payments.

d) The office assistants and receptionists financial duties included:

- (i) Directing clients or customers on financial procedures especially in payments.
- (ii) Filing chronologically the financial documents
- (iii) Preparation of local purchase and service orders.
- (iv) Collection and issuing of tender documents.
- (v) Payment of water and electricity bills.
- (vi) Collecting photocopying monies and recording of it.

e) Dean of students: - Running students' financial relation programmes.

f) Medical attention record: – students' welfare/association budget analysis and educational tour contribution management.

g) Accountants work included:

- i. Banking of fees, revenues, and grants collection
- ii. Approval of current or short –term expenditure
- iii. Prepare financial reports
- iv. Drawing cheques
- v. Preparation of books of accounts
- vi. Internal controls management
- vii. Preparation of income statement and balance sheet.
- viii. Credit officer
- ix. Debt collection from debtors.
- x. Cashier – receiving cash and cheques
- xi. Banking of income or revenues
- xii. Fees collection from students and parents/sponsors.

h) The expected qualifications in the employees handling the duties:

The researcher enquired from the management on expected or necessary qualification to manage financial transactions. The respondents gave the following.

- (a) Auditing of financial records – practicing accountants.
- (b) Bursars and accountants: Diploma in business management, accountancy qualification or CPA II.
- (c) Accounts clerks: Accountancy certificate (CPA & KATC Final),
- (d) Receptionist and messenger: Full secretarial and O'Level graduation.

4.3 AUDITING AND INSPECTION

a) Frequency of the audit and inspection

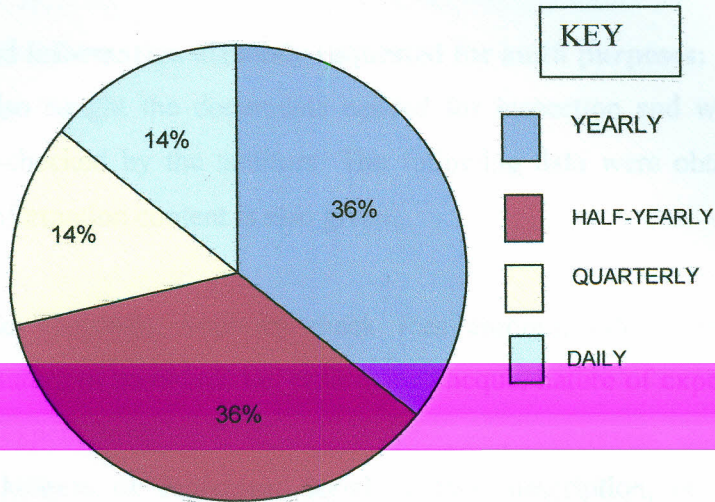
The researcher wanted to know the way books of accounts are maintained and whether they follow the stated standards. The auditors' work is expected to be the investigation of all these records listed above. The investigation involved whether all of them are normally maintained and if maintained whether they carry all the necessary information. Thus auditors had to do an in-depth search of errors and omissions in their investigation.

The researcher inquired on the frequency of audits and inspection. The respondents were asked to state the number of times the researcher visited their institutions for the inspection and audit of the financial transactions. The respondent gave the following.

Table 4.4: Audit frequency and number of institutions investigated

FREQUENCY	NO. OF INSTITUTION	PERCENTAGE (%)
Yearly	5	36
Half yearly	5	36
Quarterly	2	14
Daily	2	14
Total	15	100

Figure 4.5: A pie chart on audit frequency and number of institutions investigated



This pie-chart shows that the auditing and inspection in most schools was normally done half yearly and also after a whole year. This was mostly in the public institutions. Quarterly audit and the daily audit and inspection were very much prevalent in the private institutions.

The researcher also wanted to know the source of the auditing officials. On inquiring the source of auditing or who normally audit the financial records, the respondents stated the following.

- All the university campuses are audited by auditors and inspectors from the main campus or headquarters.
- All the public tertiary institutions are audited by provincial and district school auditors from the Ministry of Education.
- The private tertiary training institutions engage internal auditors and occasionally the private or external auditors. The institutions run by the owners also use internal auditors and the principals and accountants audit their own books of

accounts. Only 30% of private institutions employ the services of external auditors.

b) Documents and information officially requested for audit purposes:

The researcher also sought the documents needed for inspection and what content is normally counter-checked by the auditors. The following data were obtained on each record and their information content is also given.

1. **Receipt Books (copies):** Auditors check fees amount, other monies received, payments made, nature of payments i.e. cash or by cheque, nature of expenses, date and authority to incur expenditure.
2. **Fixed assets ledgers or registers:** Serial number, description, or name, cost or purchase value, useful life, maintenance frequency and cost, valuation and procedure of dispersal.
3. **Fees ledgers/Registers:** Fees paid, fees balances, identification of voteheads, amount spent, program costs, students name and categories and receipt number, semester and dates, students number, cheque number and total fees collected and spent.
4. **Cash book:** - Sequence of all cash receipts and payments.
5. **Petty cash:** - Cash spent, daily cash expense, voucher number, date, authorization on expenditure and description of expenditure.
6. **Class attendance register:** – students number contact, dates, level of study, mode of study, fees paid and balances and also signatures.
7. **Payment vouchers:** - Item of expense, purpose of payment, person receiving (payee), amount received, date of receiving or payment.
8. **Invoice:** – Details of goods, valuation, quantity units and authorization.
9. **Debtors file/Schedule:** – Number and identification of debtors' reconciliation, contacts, and items outstanding and paid amount and date.
10. **Bank reconciliation statements:** - Date, amount of deposits authorization and corresponding bank slips.

11. Requisition forms: – Authorization, dates, description and purpose.

12. Credit and Debits Notes: – Bills overcharged and undercharged respectively. Authorization and brief. Description of reasons for the change made.

13. Payroll book: – Number of employees, salary per employee, job- group/designation, allowances, statutory deductions and not payment.

c) The Authorization of audit and inspection in the institutes:

The authorization to do or carry out audit always came from the ministry officials in the district or provincial headquarters among the public institutions. The principal and managers of the institutions would also authorize ad hoc inspection and audit where they suspect misallocation/misuse of funds. All the lecturers and tutors were requested to produce a written report on any money allocated to some school errands such as educational visits, drama festivals and sports expenditure. This allows the principals to check on budgeted expenditure.

Among the private tertiary institutions, the directors or shareholders usually carry out the audit where necessary through internal auditors or institutional accountants. The Catholic Church owned institutions are audited or inspected internally by the authority of administrative or management board (BoD).

d) Standards and values expected in the financial records

The auditors expect the procedures and systems of accounting to follow the International Financial Reporting Standards (IFRS), ISO standards, Canon-law for church institutions, Income Tax Standards among other regulations.

The values observed and expected by the auditors include Honesty, Updated, Consistency, Transparency, Integrity, Accuracy and Accountability.

e) The reasons and the benefits of audit and inspection

The researcher enquired the reasons for having to audit the books of accounts and other financial documents or transactions. The respondents from the various tertiary training institutions provided the following as the reasons:

- i. Reviewing of internal audit work to authenticate it.
- ii. Checking on the truth and fairness of results as provided by various documents.
- iii. Auditors are assumed to be independent and more capable (experts) in specific financial issues.
- iv. Auditors may help on how to maintain and keep proper financial records on different situations.
- v. The auditors help in providing solutions or suggestions to redress financial errors.
- vi. Auditing is a tool used by headquarters managers to exercise authority over branch managers in institutions as a way of checking or enhancing their performance.
- vii. Auditors are expected to come in handy to assist their clients or employees when experiencing difficult financial or accounting matters.

Benefits of inspecting and auditing financial management in the tertiary institutions were stated to be as follows:

- i. Financial records are duly updated
- ii. Management is able to assess financial status through auditors
- iii. The auditors help in establishing modern techniques in management of financial transactions.
- iv. Auditing reduces misappropriation of finances
- v. Auditing enhances transparency in management of finances.
- vi. Auditing ensures proper maintenance of books of accounts
- vii. Audit reports are useful finances management tools.

- viii. Auditing helps to discover or prevent financial errors and fraud before they become too expensive.
- ix. Auditing ensures compliance to rules and regulations in financial management.
- x. Auditing strengthens financial internal control systems and also ensure they are operational.
- xi. Auditing helps in compliance with statutory provisions.
- xii. Auditing improves values of financial management practice.
- xiii. Auditing assesses and evaluates performance of an institute
- xiv. Auditing identifies weakness inherent in financial management practice.
- xv. Auditing helps in predicting situations and strategizing for the future.
- xvi. Auditing helps in reducing unnecessary details.
- xvii. Auditing helps secure assets in custody of some employees.

f) Other information officially requested by the auditors

The other information requested by the auditors in an official letter headed by the institute head letter includes the following:

- i. The amount of fees students/trainees are supposed to pay.
- ii. Fees balances not yet paid and defaulters contact.
- iii. Vehicle work tickets, signatures and authorization on repairs and maintenance.
- iv. House rents payable and damages compensation
- v. Institutes trial balances duly updated.
- vi. Employees' remuneration procedures and promotion policy.
- vii. Institutional yearly budges and budgets variance redress measures.
- viii. Daily cash reports and supporting vouchers or receipts.
- ix. Direct cash banking slips duly dated and authorized.
- x. Audit trial and precious recommendation follow-up by respective authority.

- xi. Compliance with professional and statutory regulations such as taxation, NSSF and fines with documentary evidence.
- xii. Any fees returned or carried forward well reasoned and authorized.
- xiii. Serialization of slips and corresponding slips.
- xiv. Fixed assets valuation reports and disposal procedures.

This information could also be obtained verbally from the employees but after seeking due authority from the managers or the principals. The information was also sourced from all the third parties who normally deal with the institutions.

4.4 CORPORATE GOVERNANCE

For the purpose of ascertaining the systems governing the financial management practices, the researcher sought to know the source of the authority and who run system. There were various bodies of persons undertaking the affairs of the institutes through formulation of policies, procedures, rules and regulations. These were seen to help in achieving the main objectives of the institutes. Also, they help solve the main problems prevailing in the institutes.

a) Financial management objectives

The institutions financial objectives were expressed as follows:

- i. To collect fees and issue receipts to students immediately.
- ii. To record all monies received and bank it promptly.
- iii. To meet the financial budgets on a yearly basis.
- iv. To file financial returns appropriately and on time.
- v. To be efficient and effective in service delivery to all the clients.
- vi. To read and recover debts in fully on maturity.
- vii. To reduce financial expenses to a meaningful limit.
- viii. To maintain all the financial records professionally.

b) Financial problems

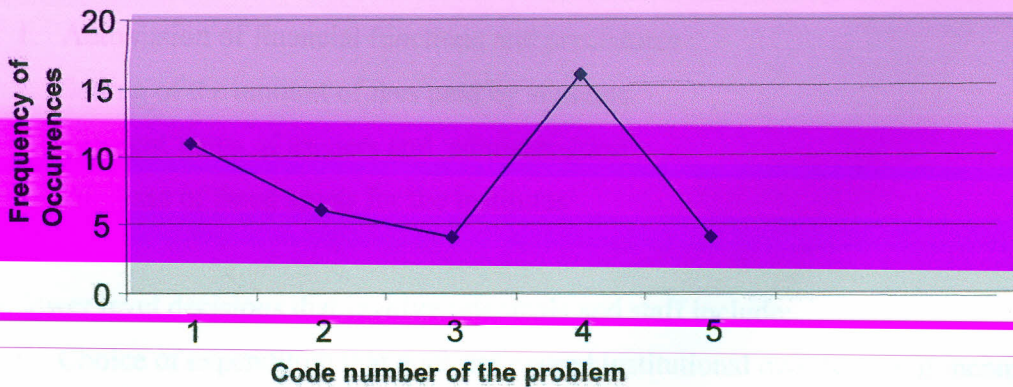
The researcher found that there are various financial problems experienced by the financial employees on a monthly basis. The following information shows the nature of the problem and the frequency of occurrence in a period of one month.

Table 4.5: The nature and frequency of the problems in the financial management

CODE:NATURE OF THE PROBLEMS	FREQUENCY OF OCCURRENCE
1. Double entries	11
2. Receipting	6
3. Banking	4
4. Tallying (Totals)	16
5. Accruals mismanagement	4
<u>TOTAL</u>	<u>41</u>

This table shows that the most common type of a problem involves the tallying the figures in the financial records. This is caused by the lack of automatic financial procedures in the various institutions. Banking of daily collection is done by the cashiers and due to the reduced number of transactions involving cash in the institutes, banking problems are minimal. The above table can be represented graphically as shown below.

Figure 4.6: The frequency of the problems in the financial management



c) Financial Management Disputes

1. Where fees are paid but students do not attend lessons, the students expect that such money should be refunded.
 - Remedy- Refund the money if no attendance is proved.
 - Transfer fees to another student in the same course if it was a donation or bursary in form of fees.
2. Lack of enough cash at hand to pay subordinate staff leading to complaints
 - Remedy – Paying the salary in installments
 - Draw in more capital from entrepreneurs.
3. Rent payment delays and hikes that have not been negotiated.
 - Remedy – Pay in installments- seek alternative ways of accommodation.
 - Seek landlord understanding
4. Delayed loan repayment which makes the creditor take advantage of the situation.
 - Remedy – Pay penalty as agreed in the contract.
 - Seek loan rescheduling from creditors

d) Financial management decisions:

This is normally done at higher levels than is necessary. The public institutions financial management decisions are normally done at ministerial levels. The decisions involves the principals and other staff only when they are urgent and at lower levels. Some of the financial decisions made at the ministerial level include the following:

1. Automation of financial functions and procedures
2. Setting of the amount of fees paid by students.
3. Payment terms of trainers and administration
4. Purchase of fixed assets for the institutes

The lower level decisions that involve principals and staff include:

1. Choice of expenditure that does not exceed institutional own source of income.
2. Daily cash expenditure levels determination.

3. When to request more assets for operation and relieve excess ones to authorities.
4. Cash withdrawals and deposit regulations.
5. Purchase of academic Sunday facilities.
6. Repair and maintenance scheduling.
7. Job- rotation among the junior staff.
8. Budgeting of expenditures in ensuing academic year.
9. Cash flow management decision.
10. Current stock management.
11. Purchase of cheap institutional equipment- approval of decisions made at institutional levels.
12. University campuses seek approval of decisions from main campus (headquarters) management board.
13. The principals in various public institutions require the approval of BoG or BoD on financial made at the branches.
14. The BoD or BoG decisions are normally approved by the minister concerned through their permanent secretaries. The PS normally uses district or provincial financial officers made.
15. These are always more than one signatory on any financial decision to spend or pay expenses or purchases. This is normally done according to statutes and regulations made by the respective ministers. There are three BoG signatories for every cheque drawn to suppliers or staff.
16. On petty cash management, the principals approve decisions made by cash department officers.

In the institutions owned/controlled by churches, boards of management are established to oversee the financial management practices on behalf of the stakeholders.

4.5 BUDGETING - SOURCES AND EXPENDITURE OF FINANCES

Budgeting in the tertiary training institutions involves the planning of how much to spend and also the expected sources of finances in a particular term or semester. The main

sources of finance in the institutions are the school fees paid by the students. There are other sources of finance for the institutions such as grants from the government, donations from the well-wishers, income from the income-generating units within the institutes, sale of old or idle and unused assets among others. The expenditure has to be well-executed to prevent the institute from spending more than it can generate.

School fees

This is said to be the consideration paid for the training services offered to the students. The tertiary training institutions' main source of income is the fees paid by trainees or students undertaking various training programmes. The higher the number of students enrolled in each programme the more the amount of money collected in form of school fees. The researcher found that over 90% of the institutions' income is in form of school fees. Also, over 90% of institutions rely on fees income in running their academic and non-academic programmes. The amount of school fees paid by each student is determined by schools' authorities at the ministry or headquarters of each organization.

Among the public institutions, government through the minister for education sets amount per item of expense. The fees paid are utilized in tuition, sports, book, identification card, practical, health, examinations, and accommodation among others. These items of expenditure are normally shown in the receipts issued on their payment. In private tertiary training institutions, the BoD or managers who are the administrators have discretion on the amount of fees paid per student also tied to the training programme a student undertakes.

The university campuses charge fees to students depending on the number of credit hours taken by each student. Such payments also vary on the mode of study (i.e. full-time, part-time, distance learning or holiday tuition). Each student must clear all fees payable before sitting for end of term/semester examinations.

Fees paid in business degrees and diploma programmes per semester can be shown comparatively among university campuses. These are the fees paid in the parallel programme at each university. The table below compares the fees amongst the various universities in the year 2008.

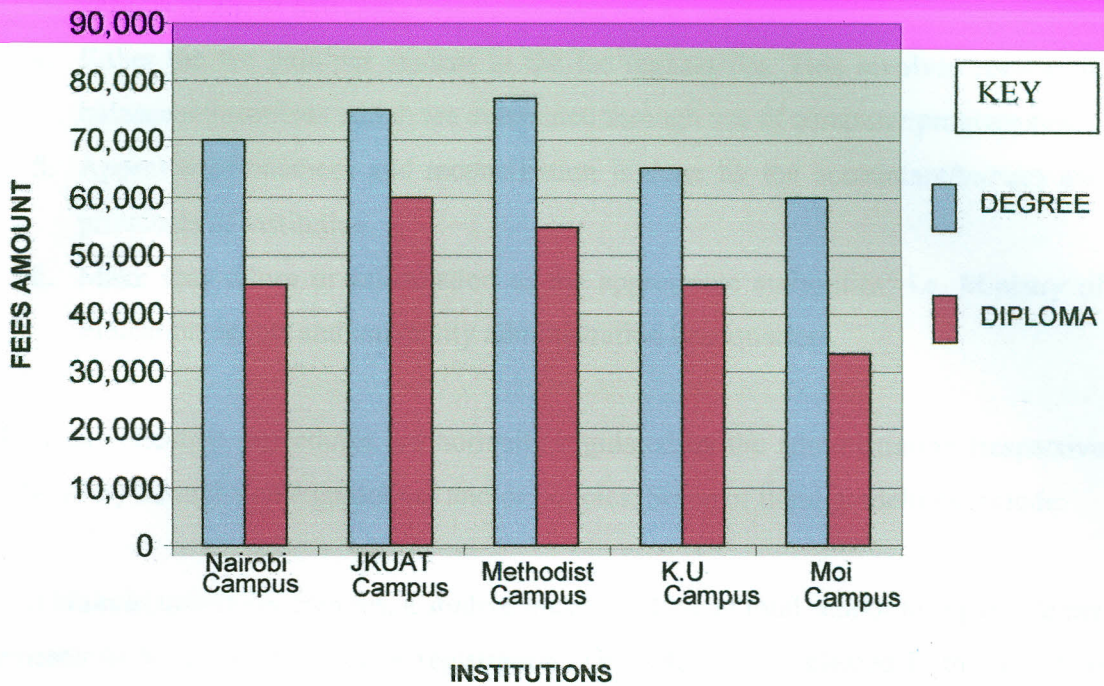
Table 4.6: Fees amount in parallel business courses at diploma and degree levels

INSTITUTION	Nairobi Campus	JKUAT Campus	Methodist Campus	K.U. Campus	Moi Campus
DEGREE	70,000	75,000	77,000	65,000	60,000
DIPLOMA	45,000	60,000	55,000	45,000	33,000

These fees figures do not include the statutory charges levied by each institution. They also do not include the fees paid by the regular students admitted under the joint admissions board. The regular students normally pay less amount amounting to Ksh. 33,000 each academic year excluding the accommodation charges.

The students in the teacher, medical and technical training institutions pay less fees per term (three terms in a year). They are normally charged about Ksh. 15,000 per student each term. These are middle-level colleges that offer diploma courses. This shows that such institutions are generally cheaper than university campuses offering similar diploma programmes. Thus, it seems cheaper to finance education in middle-level colleges than to finance the university undertaking the same kind of training. The above table can be represented in a graph as follows.

Figure 4.7: Comparison of the fees amount in university campuses



Generally, the degree programmes are more expensive per semester than the diploma programmes. The most expensive degree programme is at the Methodist University and for the diploma programme it is the JKUAT university campus, all in the parallel or the self-sponsored programmes.

Fees collection procedures: Over 95% of the institutions do not accept liquid cash while receiving school fees. They have opened fees collection accounts with the local commercial banks. Such banks have prepared special university and colleges pay-in slips (forms) which are normally in triplicate (i.e. original is given to the college; duplicate retained by the student and triplicate is left with the bank receiving the school fees or cheques. Generally, fees collection procedures involve the following steps:

1. Deposit cash or cheque into the bank school accounts.
2. Submit the duplicate of deposit slip to the schools.

3. A receipt is issued to the students by the institute showing the breakdown into various itemized activities.
4. Either the fee paid per student in the fee register/file. This involves register or balance adjustments which are automated through use of computer programmes.
5. Approval of balances and reconciliation is done by the accountant/bursars and principals of institution.
6. Make fees return or information to the appropriate authorities' i.e. Ministry of Education agents and university administration headquarters.

The fees collection procedures are normally regulated by the administration (respective authorities) through some guidelines and/or policies. Some of these guidelines include:

1. At Nairobi university campus, a student must pay 40% of total school fees payable per semester to be allowed in course registration. The balances are cleared in the next two months.
2. In Kenya Institute of management, fees payment (amount and date) is linked to continuous assessment and assignment, such that, marks data are never captured by the automated control system. The system requires full fees payment before the marks are captured. If total fees collected fall below 40%, students are sent away to pay the balances.
3. Among the technical, teaching and professional courses a student must initially pay two-thirds ($\frac{2}{3}$) of total term fees before being registered in each term.
4. Any cash accepted should be banked daily by the cashiers.
5. Registration and application fees must be paid on first enrolment.
6. Generally, all institutions allow installments payment
7. All institutions threaten students with exemption or non-registration for examination incase of non-payment or default.

Other sources of finances

There are not very many sources of finance to the tertiary training institutions and thus the researcher has provided the following sources as found out from the field.

- (a) Hire charges levied on institutional facilities incase of seminars, wedding ceremonies or workshop activities inside the institutes.
- (b) Government grants to public institution. These are normally allocated on quarterly basis depending on type of institution, programmes offered, student population and location of the facilities.
- (c) Government bursaries and donation by other well-wishers to poor students, disabled persons and girl-child incentives in particular programmes.
- (d) Income-generating projects such as farming.
- (e) Library and photocopy services.
- (f) Catering services in school owned cafeteria.
- (g) Bank loan and bank overdraft.
- (h) Consultancy, alumni subscriptions and membership fees, dinner and luncheon
- (i) Short courses continuous development programmes such as disaster management, computer skills enhancement.

Expenditures

All the monies collected must be budgeted for in advance. The principals of each institution are required to prepare a budget before the start of each accounting period. No impulsive expenditure is allowed in public institutions. The government has issued instructions to the institutions to always plan and budget on a yearly basis by looking at the trend of a proceeding calendar year. The items or activities planned for include:

- Food stuff.
- Non-teaching staff remuneration.
- Accommodation expenditure.
- Tuition facilitation.

- The non-teaching staff remuneration takes a huge amount in most institutions. This expenditure is normally on their salary payment, bonus payment, support funds, time-off for extra-day/hours worked, medical expense allowances, legal deductions (NSSF & NHIF), tutorship/part time lecturers' honorarium, and appraisals aid annually.

Other sundry/collective minor expense such as casual labour is paid through an imprest system. A file or petty cash register is maintained by an accounts clerk. It was observed that many institutions held between Ksh. 30,000 and Ksh. 20,000 as maximum balances at any time in their petty cash register. All petty cash register and vouchers are strictly controlled. Any expenditure on petty cash must be vouched and receipted to ensure proper expenditure enhancement.

Expense imbursement procedure: All expenditures to be imbursed must be well-documented (vouchers/receipts). The receipts should be avoided and a summary attached or all accounts submitted to the headquarters or administration body. A requisition form is filled on the amount to be reimbursed and a receipt will be issued on all amounts received on petty cash.

Automated financial management procedures

- | | |
|--|--|
| 1. Fees collection. | 5. Bank reconciliation. |
| 2. Fees receipting. | 6. Cheques register using quick book. |
| 3. Generation of financial documents/ records and forms. | 7. Debtors' reconciliation and control accounts. |
| 4. Cashbook generation. | |

On the strength of financial management system, 50% of the respondents stated that they strongly agreed that their financial systems are strong, 30% stated that they agreed with their financial system and only 15% stated that they disagreed that their institution had a strong financial system while 5% did not know about their strength.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMENDATIONS

5.0 INTRODUCTION

This chapter presents the summary of the study, conclusions and recommendations for possible policy implementation. It also gives suggestions for further suggestion.

5.1 SUMMARY AND CONCLUSION OF THE FINDINGS OF THE STUDY

The study has observed that the Government of Kenya and also the citizens of this country have demonstrated the need for all to acquire necessary skills and knowledge that will enhance development of all sectors of the economy. Thus, they have sought any kind of assistance, financial and otherwise, to help streamline the management of education and training sectors. Financing tertiary training institutions requires the government to engage all persons concerned in its management.

Tertiary training institutions have consumed lots of resources in the payment of salaries to the employees, construction of the infrastructure and development of all fields of the education and training. While financing these needs, the financial systems have been put in place to avoid misuse or misapplication of the financial resources. It has been observed that the systems are in place but some managers and employees of the tertiary training institutions ignore or do not even understand the various rules and regulations.

Some of the financial controls that are supposed to be followed in the institutions are outdated and thus disregard the changes in the environment. Some of the statutory regulations are very old and have not been amended to suit the changes in the environment. The Education Act Cap. 211 enacted in 1980 has not had any major changes to date. The Government has had to do with some manuals that are made to

help infuse the changes affecting the education system. This has been evidenced by the *financial management manuals* issued in 1991 and 2007 to be used in the tertiary training institutions.

The auditing and inspection of the tertiary training institutions have been undertaken in most institutions. This scenario has been happening only once a year in almost all the institutions. A few of the institutions carry out their audit half yearly. The auditing of the private tertiary training institutions is more frequent than that done in public institutions. The authority to carry out the audit is normally obtained from the managers of the institutions. The government institutions obtain the audit instructions from the Ministry of Education through the directorate of inspection. QASO officers and inspectors can visit the institutions at any time of the audit. In the private sector, the auditors are agents of the government when there is a serious issue to be investigated although in the normal circumstances, they are sent by the investors or the directors of the institutions.

In all the institutions, it has been observed that the inspection and audit is not adequate and at times very costly. This leads the institutions to avoid the exercise. It was also observed that the auditors may be seen to interfere with the normal schedule of the staff when they seek assistance in form of audience and certain documents. Avoiding the auditors and the inspectors makes the institutions to loose lots of money or incur unnecessary costs which could be avoided through a thorough and frequent audit and inspection.

Private audit is not embraced because it is said to be very expensive to the institutions. It also takes more time because they are said to be more thorough in their work. Record keeping is the main activity of most cash office workers and it takes great deal of their time. Many records are maintained by the tertiary training institutions as stipulated by the various manuals and the Education Act Cap.211. The vouchers recording were seen to have varied entries. This means that they are not

done the same way by all the institutions. The other problem was the lateness in meeting the deadlines to prepare the documents as stipulated in the statutes and other regulations. The standards in the preparation of the records are very vague and some staff lacks the skills necessary to maintain the documents. It was observed that this hinders efficiency in the financial management in all the tertiary training institutions.

There has been virement of some money from one account to another which is done without proper authority and this leads to mismanagement of the institutional finances.

It was observed that all the major financial decisions are normally passed by the Board of Governors as the senior most authority in each public institution. The private institutions have Board of Directors or boards that manage the finances. The boards are representatives or agents of the Minister for Education or the respective ministries and the investors in the institutions. They allocate institutional finances to the specific projects depending on the needs of the institution as stipulated in the financial budgets.

It has been observed that the main source of finance in the institutions is the school fees paid by the learners. The amount of fees per student and per activity is determined by the institutional management which is the government in the public institutions and board of directors in the private institutions. The total fees collection is dependent on the number of students enrolled in each institution. The management of the fees is regulated by the provision on how the fees are collected and utilized in the institutions. The fees collection procedures have greatly improved because most of it is collected by cheques and no cash is accepted in the institutions. The students are only required to present the deposit slips to the institutions.

The other sources of the finance include farming, part-time or production units' income, donations and grants from the sponsors. Grants are a common source in the

public institutions where the institutions need to develop fixed assets such as buildings. Donations from the well-wishers are normally rare and small in the amount. The production units which are functional and in fact have a substantial source of the finances are very few. The main production units that have been productive enough are the tuition classes to the part time-learners. The other area that is productive is the rearing of the animals for milk and farming cereals used in the institutions.

Some of the institutions have rental houses provided to the staff. The rent collection is normally not up-to-date and many staff has outstanding balances. This means that much of the rent to be collected is not well planned for. The institutions also hire out the facilities for seminars, workshops and meetings where they earn some money. The decision on the expenditure of the internally collected income is left solely to the principal and the teachers. The greatest expenditure in the institutions goes to the feeding, building and payment of the subordinate staff. This means that much of the financial management or the controls are in regard to the expenditures.

Any mismanagement of the finances is heavily punished as stipulated in the TSC Act, Education Act and the TSC code of regulations which have been availed to all public institutions. In the private institutions, the disciplinary issues are dealt with by the various institutional boards and they also prescribe heavy penalties in conjunction with the police.

5.2 RECOMMENDATIONS FOR POLICY

To improve the financial management practices in the tertiary training institutions, the researcher has suggested the following:

- 1) The inspection and audit of all the institutions be made more frequent so as to have an easier follow-up and to avoid accumulation of too much work to be audited and inspected.

- 2) The inspection and audit should be carried out by well-qualified officers who have been adequately trained and authorized. The principals should not be allowed to inspect their own work especially in the private institutions.
- 3) The maintenance of the various records in the institutions should be updated promptly and any standardized format, division of labour and layout of the working area in the finance department be improved. This will enhance efficiency and standards in the financial management.
- 4) The rules and the regulations including the statutes should be updated or amended in order to enhance their enforceability.
- 5) The boards of directors or the boards of governors be made directly accountable and responsible in the financial offences in the institutions. This will ensure closer supervision in the financial activities in the institutions.
- 6) Payment in cash form though greatly minimized should be completely eliminated where necessary. This will reduce temptation to spend the cash available to the institutions.
- 7) The institutions' management especially the public institutions should be encouraged to look for alternative sources of income to supplement fee income. This will enhance the financial capability and thus develop and boost financial resources in the institutions.
- 8) The institutions should be encouraged to install automated financial management systems that will enhance the speed and accuracy of documentation. This also reduces cases of financial mismanagement in the institutes.
- 9) Due to the fee income being the main source of the institutional income, there should be improved marketing that will increase the enrolment in the various courses leading to improved fee income. The debt in fee collection

should be connected to examination results so that results are released only after fees are cleared.

10) All the financial expenditure be done in advance and the planning should involve all stakeholders including the sponsors of the various institutions. This gives the financiers the opportunity to own the expected expenditure.

11) Consequently, it has suggested the setting up of a uniform and sound financial policy framework for the education and training sector. The results of the study are useful in streamlining existing financial management practices in the tertiary training institutions.

5.3 SUGGESTIONS FOR FURTHER RESEARCH

- i. This study investigated financial management practices in tertiary training institutions. A similar study should be done on primary and secondary training institutions.
- ii. The study recommends that all institutions should be inspected and audited more regularly. A study on inspection and audit of private training institutions can be done.
- iii. This study has investigated financial budgeting in tertiary training institutions. A similar study can be done on budgetary allocations in private training institutions.

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**TERTIARY TRAINING INSTITUTIONS IN NYERI NORTH AND SOUTH
DISTRICTS**

1. Kiganjo Police Training College
2. Saint Theressas Secretarial and Computer college
3. Mathari School of Nursing
4. Kimathi University College of Technology
5. Kenya Institute of Management
6. Nairobi University College of extra-mural studies
7. Kenya Methodist University- Nyeri Campus
8. Nyeri Technical Training Institute
9. Mountain Top Training Institute
10. Rware College of Accountancy
11. Pinnacle College of Professional Studies
12. Kenya Farmers Agricultural Training Institute
13. Kenya School of professional Counseling
14. Cathedral Computer & Secretarial College - Nyeri Diocese
15. Kamwenja Teachers Training College
16. Kagumo Teachers Training College
17. Kenya Medical Training Institute (K.M.T.C-Nyeri)
18. Kenyatta University Center for IOL
19. TumuTumu Medical Training College

Source: *Nyeri technical training institute library manual (2007)*

APPENDIX II: QUESTIONNAIRES

A) QUESTIONNAIRE FOR THE CASH DEPARTMENT

This questionnaire is for academic purposes only. Please be honest.

1. Kindly indicate the following:

- a) Highest professional qualifications
- b) Highest academic qualifications.....
- c) Experience
- d) Designation and job group
- e) Department/Section/unit

2. How many employees work in your department/section /unit?

3. Explain the financial duties and responsibilities of your departmental staff.

(Provide a departmental organization structure if any)

STAFF DESIGNATION/ LEVEL	DUTIES
1.	
2.	
3.	
4.	

Corporate governance

4. What staff qualification are required to work in your department? Tick as appropriate.

Degree Diploma CPA Others

5. Who authorizes the audit inspection of the books of accounts? Choose one.

Principal BoG Government Others

6. Which financial standards are required to be observed? Tick as appropriate.

IFRS/IAS Purchasing & Supplies Others.....

7. Specify the financial objectives in your department. Tick one.

i.) Timely (). ii.) Accuracy (). iii.) Properly recorded ()

Others.....

8. Briefly explain the main steps followed in fees collection.

9. Give the various financial management decisions to be made by your office. (Tick)

a) Budgetary decisions. ()

b) Sources of finance. ()

c) Capital expenditure ()

d) Amount of liquid money maintained. ()

e) Staff deployment. ()

f) Salary level. ()

g) Other:

10. a) Does the BoG approve financial decision in your office?.....

b) If yes, who signs? (Tick) i.) chairman.when:

ii.) Principal.when:

iii.) Others.when:

11. Name a few financial management disputes in the institution? Specify

DISPUTES/CASES	ACTION TAKEN/ SOLUTION
a) Fees payment	
b) Misapplication of money	
c) Over expenditure	
d) Loss of money	
e) OTHERS:	

12. The institute has a strong financial management practice/system. Do you agree?

Strongly agree agree disagree strongly disagree

Auditing and inspection

13. How often are the books of accounts audited or inspected? Tick as appropriate.

Once a year half yearly monthly quarterly others.....

14. Who does the audit and inspection of the books of accounts? Specify.

Internal auditor External auditor Principal Others

15. Which kind of information is requested by the audit inspectors? Specify.

- i) Purchasing procedures ()
 - ii) Authorization procedures ()
 - iii) Past recommendations by the auditors ()
 - iv.) Changes in the institutes ()
 - v). Others.....
-
-

16. Do you ever involve private inspectors to audit your books of accounts? State why?

Yes why? No why?

17. Enumerate the benefits of financial inspection or audit in your department. (Tick)

- a) Prevention of errors ()
 - b) Discovery of fraud ()
 - c) Technical assistance ()
 - d) Others.
-

Records keeping

18. Specify the documents and content inspected by the auditors.

DOCUMENT	TICK (√)	CONTENT (please be brief)
a. CASHBOOK		
b. VOUCHERS		

c. FEES REGISTER		
d. ASSETS-REGISTER		
e. INVOICES		
f. DEBTORS LEDGER		
g. PAYROLL		
h. OTHERS:		

19. What type of accounting information is automated in your organization? (Tick)

- a) Registers generation. ()
- b) Invoice preparation. ()
- c) Money transfer. ()
- d) Others: Specify.

.....

.....

.....

Budgeting the financial activities

20. List the sources of finance other than fees collected.

.....
.....
.....
.....

21. Other than salary and wages, how are the non-teaching staffs rewarded?

.....
.....
.....

22. Explain the procedure for managing imbursement of expenses?

.....
.....
.....
.....

23. How is the cash imprest system maintained? Tick appropriately,

I. Write a requisition and attach the receipts. ()

II. Check on the limits and authorization of the expenditure by the accountant. ()

III. Seek payment authorization from management. ()

IV. Record the amount paid as appropriate. ()

V. Other.

.....
.....
.....
.....

Thank you.

B) QUESTIONNAIRE FOR MANAGER /PRINCIPAL OF THE INSTITUTIONS

This questionnaire is for academic purposes only. Please be honest.

- 1. a) Qualification..... b) Designation.....
- c) Experience d) Department/Unit.....

Corporate governance

2. How do the following financial management challenges face your institute?

- a. Conflict on source of authority.
- b. Recording of sources and expenditure of finances.
- c. Meeting the audit and inspection requirements.....
- d. Unbalanced budgets.
- e. Number of disciplinary measures.
- Others:

3. The security of liquid money is maintained in the institute by the following? (Tick)

- i. Using of physical security measures such as locks and safes.
- ii. Adoption of advanced technology in cash transactions.
- iii. Avoiding cash payment and receipts.
- iv. Frequent job rotation.
- v. Restricted entry in cash handling areas.
- vi. Others. Please specify.

.....
.....

4. Who authorizes expenditure and investment of institutional finances? (Tick)

Directors/Principal BOG HOD Others:

.....
.....

5. How are the stakeholders involved in financial management decisions?

.....
.....

6. Explain financial management practices that lead to disciplining staff in the institute?

DISPUTES/CASES
a. Non-banking of payments/cash/cheques.
b. Misapplication of money.
c. Over expenditure.
d. Loss of money.
e. OTHERS:

Records keeping

7. List the main financial sources, records kept and uses of finance in the institute.

SOURCE	RECORDS	USAGE
a. Grants	Ledgers	
b. Fees	Fee register	
c. Rentals	Tenants account	
d. Donations	Ledgers	
e. Others: specify.		

8. Which financial records are maintained for audit purposes? Tick as appropriate.

DOCUMENT	TICK(√)	CONTENT (please be brief)
a. CASHBOOK		
b. VOUCHERS		
c. FEES REGISTER		
d. ASSETS-REGISTER		
e. INVOICES		
f. DEBTORS LEDGER		
g. PAYROLL		
h. OTHERS:		

9. Does your organization have a procurement procedure?

If yes, Please provide a sample. If no, state why?

.....

.....

.....

.....

Auditing and inspection

10. Explain how financial audit and inspection are done in the institution.

- 1)
- 2)
- 3)
- 4)
- 5)

Budgeting for financial activities

11. Determinants of the amount of fees paid by the students include: (Tick)

- i. Level of study.
- ii. Number of subjects.
- iii. Area of study.
- iv. Government regulations.
- v. Others (specify).

12. How do the departments conduct finance projections? Tick as appropriate.

- a. Based on past expenditure.
- b. Based on future expectations.
- c. Depending on current economic circumstances.
- d. Other considerations:

13. What determines the subordinate staffs' remuneration? Tick as appropriate.

- a. Job group.
- b. Experience.
- c. Ranking.
- d. Number of tasks completed.
- e. Number of hours worked.
- f. Others:

14. What are the major financial plans for the institute? State how you intend to finance them.

.....
.....
.....
.....

15. Explain how the institute meets its budget targets?

.....
.....
.....

16. How satisfied are you with the financial management practice in your institute?

(Tick as appropriate).

Very satisfied (4). Satisfied (3). Dissatisfied. (2) Very dissatisfied. (1)

Thank you.

C) QUESTIONNAIRE FOR THE HEADS OF DEPARTMENTS/SECTIONS

This questionnaire is for academic purposes only. Please be honest.

1. a) Qualifications..... b) Experience
c) Designation c) Department.....

Corporate governance

2. To what extent does your department use the following regulations and guidelines in its financial expenditure? (Tick as appropriate)

- Ministers orders. Education Act. BoG guidelines. Professional regulations.
 4 3 2 1

Others:

3. Explain financial management problems experienced in your department including:

a. Non-banking of cash/cheques.
b. Misapplication of money.
c. Over expenditure.
d. Loss of money.
e. OTHERS:

4. What is the procedure for purchasing items and services for the department?

.....
.....
.....

Auditing and inspection

5. a) How often are the financial records in your department inspected? (Tick one)

Once a year half yearly monthly quarterly others.....

b) Who authorizes inspection?

Records keeping

6. Are the following financial records a feature in your department?

DOCUMENT/CONTENT	TICK(✓)
i. CASHBOOK	
j. VOUCHERS	
k. FEES REGISTER	
l. ASSETS-REGISTER	
m. INVOICES	
n. DEBTORS LEDGER	
o. PAYROLL	
p. OTHERS:	

7. Are the following financial accounts operated in your department?

Cash account. Farm account. Creditors account. Others:

.....

APPENDIX III: OBSERVATIONAL SCHEDULE

DEPARTMENT OR SECTION	FINANCIAL MANAGEMENT PRACTICES	REMARKS
ADMINISTRATION		
ACCOUNTING		
AUDITING		
QUALITY ASSURANCE		
TRANSPORT		
PERSONNEL		