A Critical Analysis of School Principals' Competence in Financial Management in Kenya: Accountability in Educational Planning and Management

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Abstract
This critical analysis seeks to explore the competence of the school Heads in Financial Management in Kenya. Competence is acquired through training and experience. On the other hand accountability is a moral issue acquired through schooling, theory and practice. It is believed that schools whose finances are well managed determine the overall performance of the school. In contrast, principals who involve themselves in misappropriation of funds, wastage, incompetence and are not responsible lacks moral authority in their duties and fails to achieve the set goals of the institution.
The objective of the study was to analyze the principals' competence and professionalism in managing school funds. The concept of financial management is critical in schools because it facilitates planning and utilizing of school funds economically and for the intended purposes. Principals in Kenyan schools are chief executive officers (CEO) as well as accounting officer who executes all school development plans and, he/she implements and controls school budgets.
School administration realizes that school has an aspect of a business. As an investment, it aims at maximizing profit and wealth of the stakeholders- the students and parents which would pay dividends to the investors. The concept of accountability in a school tracks records and monitors the element of honesty and responsibility in using and spending school funds.
Keywords: Competence, Financial Management, School, Accountability.

1. Introduction

The government of Kenya is committed to ensuring that all Kenyans access education regardless of their age, tribal, ethnic, financial and religious background. Education in Kenya is therefore a right to all. To this effect, the government introduced Free and compulsory primary and secondary education and ensures finances are disbursed to school accounts. Each school has at least three accounts which include Account Number one (Simba/Tuition Account) which is specifically for purchasing stationeries like exercise books, writing materials like pens, pencils, dusters and chalks. Included also are reference materials, supplementary readers, wall maps and charts. Account numbers known as General Purpose Account caters for support staff wages, maintenance, repairs, local travelling and transport. It is also the account which caters for box rental, telephone, electricity, water and conservancy, postage, quality assurance and contingency. The third account is parents' account where all money collected from parents and well wishers are paid. This is an indication that schools handle a lot of money which has created demand for public accountability and better resource management from stakeholders. School heads should be fully equipped with skills in financial management since they are the accounting officers in their schools. They are expected to be aware of financial management aspects such as budget preparation, managing funds, personal emoluments for support staff, and methods for sourcing funds, developing transparent financial systems, developing a cost-sharing policy and keeping financial records. The principal as financial managers in a school are responsible for budgeting, implementing budgetary plans, controlling the implementation processes and reporting the results. In order to fulfill these responsibilities, principals (Accounting officers) must be competent on financial management and appreciate the element of accountability educational planning.

2. Concept of financial management

Concept of financial management is an integral part of the overall management. It is concerned with duties of financial managers in the organization. Financial management is the art and science of utilizing money to achieve economy and value of the money available. In an organization, financial management is the lifeblood, all its business activities relies on the finances. It is efficiently using economic resources like capital funds according to Solomon. It is an integral part of an overall management of the organization. S.C. Kuchal argues that the most popular and acceptable definition that it deals with procurement of funds and their effective utilization in the business. Therefore financial management involves the effective and efficient funds management. Financial management deals and affects other departments like personnel, advertising and productions. The aim of Financial Management is profit maximization and wealth maximization. To achieve these two objectives requires effective procurement and efficient use of finances. The purpose of any business is to make as high profit as possible. The amount of profit made in a business portrays the growth and the business efficiency which can be used to predict the future and lifespan of the institution or the business, increases the profitability in all possible ways and reduce the risk of the business. Wealth increase and maximization is a new tactic, which deals with latest innovations and improvement in the world of business. This is as far as shareholder's wealth and the wealth of the members of the business is concerned.

Since the target of any business is to increase profit, create wealth maximization and improve the value of the shareholders, that considers the value to cost associated with the business as an area of concern. Total value detected from the total cost incurred for the business operation, provides extra value of the business concern. In a learning institution, profit and wealth maximization means utilizing resources in order to attain highest expected performance and maintain high student enrollment a school. Finance is the lifeblood of a school. Every learning institution like any other organization must ensure that business has constant and adequate money for smooth running of its operations and sustain it carefully in order to achieve its goals.

3. Financial Management concept in school.

The concept of financial management in a school includes accounting system of a school whose aim is to provide prudent control and proper accountability of all funds received in a school. Its mandate is to provide accurate, current and complete disclosure of the financial status of a school. School management has responsibility of providing and maintaining true and clear record which exhaustively identifies the source of school funds. Some of the important information contained in such records includes the allocation of funds to various school needs and usage of funds collected in the school. There are also books of accounts where daily transactions of the school are entered. They include among others journals, ledgers, balance sheet and trial balances. Cash book, trading account and profit and loss account are vital in financial management in a school. They give clear picture to the management on income and expenditure, capital and liabilities of the school. The head of the school, the principal should be aware of all those financial documents so that he/she monitors the recording done by the school bursar and give advice where need arises. Such records should indicate activities which are sponsored and contain information on school's award system. In the course of discharging their duties, if all the above books are not well prepared and monitored, the Principals may register poor performance in financial management as a result of employing less qualified accounting staff that maintain poor records and who fail to adhere to accounting procedures (MOEST, 2007)

Kenyan schools are served with ministerial guidelines on the vote heads and allocation of funds. However, individual schools are at liberty to deliberate on school needs and prioritize them and manage the funds according to the agreed projects depending on the available resources but must be within the ministerial policy. Schools organize and manage their funds according to the population of students, infrastructure, leadership and staffing. They also use autonomy and participation in co-curricular activities. Financial management in a school sets up a system for efficient control and effective accountability of financies, assets and other school properties. It is the responsibility of the school authority to safeguard school assets and ensure they are used solely for authorized purposes. The system has laid down policies to guarantee timely and authorized transfer of money when they are genuinely needed even if it means doing so through electronic methods. Success of any school depends on efficient and effective management of finances. All stakeholders in education participate in managing finances and in financial decision making especially in identifying the possible sources of school finances such as fees from parents, harambee, donation, sponsors, and school farm. They are also involved in identifying the needy students from poor families for bursaries which is a social justice and a social responsibility. They ensure accurate and auditable records are kept for clear audit trail as required by cash management regulations. The principal ensures that proper filling system is clear and updated often. It is the responsibility of the financial management to ensure timely internal and external financial reports are discussed and SWOT analysis done on the same for the development of the school. In other words financial management in a school is a school-wide responsibility. For this network of responsibilities to succeed, co-ordination, planning and organizing of the school needs, prioritizing the needs and delegating duties to various offices in a school is of paramount importance.

In a school, stakeholders participate in financial management in such responsibilities as Monitoring and evaluation, credit control and auditing of financial records. This duty is assigned to the Board of Management, principal, finance manager and school management committee. Preparation of the financial records, understanding the sources and uses of finances and mobilizing for finances is a duty for Parent-Teacher Association (PTA), Parents, Principal and B.O.M. While planning, budget preparation and implementation, allocation of money, financial reporting and disclosure of accounts is the responsibility of the school bursar, budget committee Principal and BOM. Ensuring legal policies on procurement and tendering are adhered to, safeguarding school assets from loss or unauthorized use and ensuring school finances are administered correctly, is solely the work of the principal and the BOM. There are two key offices in a school which plays a great role in financial management; the principal's or CEO's office and the school bursar's office. The ultimate responsibility for the school's finance lies on the principal although powers and responsibilities are delegated to other offices, the leadership, guidance, financial skills, expertise and the CEO support , the principals are crucial to successful management of the school money.

4. Why principals' financial management concept is required in a school.

Financial management being the process of planning and utilization of school funds economically and for the intended purposes, the ministry of education should provide policies and procedures, rules, regulation and guidelines on how best the school funds can be planned for, deposited, withdrawn and pay for goods and service. This will ensure money is spent for the right purpose. Financial management is required and it is critical in a school in order to instill good governance, accountability and transparency in dealing with public funds. It enlightens the stakeholders in ensuring that resources allocated to the provision of education are used for the intended purposes effectively and economically. The management of funds disbursed to schools is the responsibility of the school. Effective financial management will ensure that procedures used are transparent which will minimize or eradicate corruption and fraud practices in schools. Stakeholders will be keen in their responsibilities in sourcing for school funds, planning, budgeting implementing and evaluating utilization of resources for development of their school. There has been change of roles of principals in Kenya since the introduction of Free Secondary education. The principal is the chief accounting officer who plays the role of a teacher, a bursar, a secretary to the BOM. Financial management will ease the duties and responsibilities of the principal by supporting and delegating some of the duties. Schools are free to set up Financial Management system to control and account for all school funds, produce reliable and complete disclosure regarding finances. Financial Management in a school is crucial since the schools receives a lot of funds from various sources and requires to be planned to avoid wastage and misappropriation of funds. To this effect, school will draw up a budget, set objectives, identifies the sources in terms of human resource, time allocation, teaching/ learning materials and appropriate costing. Consequently, the school will ensure proper monitoring and supervision as the budget is implemented. Different people will play different roles such as controlling the school budgets and mobilizing financial resources. Financial records will be a true reference of how money is utilized and shows the figures in the bank account and cash at hand.

5. Financial management in secondary schools in Kenya.

Principals in secondary schools in Kenya are key players in implementing the curriculum and sustaining learning institutions. Principals are involved in managing all school financial activities, which includes sourcing of resources, disbursement of funds, allocation of funds in various school projects and accounting for money which is utilized. According to Orlosky (1984) financial management determines the way the school is managed and achieving its objectives. In secondary schools in Kenya, it is the duty of the principal to ensure budgeting, accounting and auditing functions are carried out effectively as required by the Ministry of Education. The government of Kenya disburses Grants in Aid to secondary schools as a way of financing secondary education which is a right to all students. Parents are required to pay other costs apart from tuition fee. This enables students from humble backgrounds access basic education (Republic of Kenya, 2005)

The funding in secondary school is done according to each individual school, its characteristics and enrolment. Money is credited in both Accounts number one (Simba account) and Account number two, Operational account). It is the work of the BOM to plan and authorize the spending of the funds but in consultation with the county director. Schools managers consult in financial decision making in relation to the procurement procedures as laid down by the Public procurement and Disposal Act, 2005.

Secondary schools are allowed to control and plan on how to utilize the huge amount of money which is delegated to schools. As a result, principals responsibilities increases and challenges the level of competence in managing school finances which is essential to the efficient operation of the funding system.

Once the allocation of each individual school is determined by the Ministry of Education, the school reserves the right to control and use its funds. Government delegates authority to principals in relation to how the school's budget is spent, which includes staffing resources. Drawing up a school budget is a mandatory responsibility of the stakeholders. It is a legal requirement as stipulated in the education Act Cap 211.The cash receipts must be from sources approved by the ministry.

6. Financial Management versus competence issues in schools in Kenya.

Competence issues in financial management includes among others training and professional knowledge in finances, experience acquired to manage finances, interpretation of financial policies and financial decision making in a school. It also involves information analysis as in the case of audit report, preparing and managing school budgets, effective communication and mobilizing financial resources.

Success of any organization depends on efficient and effective management of finances. The general public demand accountability and transparence of funds collected and spent by school managers. The task requires a person of high integrity in the profession with a right training and skills of handling money, wide knowledge in specific areas like practices and concepts of financial management, risk analysis, debt management and ability to keep current with school developments.

The last two political regimes transformed education system in Kenya. As such, the enrolments in basic education increased enormously. Free education especially brought great changes whereby the government disburses money for each student to individual schools. This increases and changes the roles and responsibilities of the school principal. Smilanich in Dimmock (1994) reports that the principal has the unenviable task of arbitrators of soliciting the needs and wishes of staff and community and being the final authority on planning decision as reflected in the proposed budget. The principal is a superintendent of schools at school level. The concern is where the added financial responsibility affects the normal and obvious duties of a principal. Cited in Dimmock (1993) the Sheffield City Polytechnic (1986) evaluation of delegation in Lincolnshire, based on interviews with the seven pilot school principals, found "All seven principals agreed that the scheme had increased their workload and changed its pattern. As one principal put it, I spend considerable amount of time on matters not strictly educational………… Four principals commented that this change in role meant less contact with students and staff………….”

Principal's attitude on the added duties and tasks in financial management affects the way he/she responds to those challenges. According to Levacic (1995), the new tasks of budget management, encompassing financial reporting and budget setting, are the most transparent and obvious of the changed role of the school principal. The school principal is obligated to implement, monitor, supervise and control the budget as soon as the budget is approved by the appropriate authorities in order to achieve the objectives. This task requires wide knowledge in finances and extra commitment. The principal works closely but independent from finance officer (bursar). The bursar's role is to verify financial transactions as per the financial regulations. Controlling school budgets requires the principal to have a thorough understanding of the financial status of the school and its priorities for the expenditure. It involves controlling the votes and ensuring votes are not spent and that money received is put under the appropriate vote headings.

In any school, mobilizing financial resources remains and requires a person of big brain and of wide networking systems since resources are scarce and are never enough. These resources include finances, material, time and human resource. If there are no funds, no plan can be implemented. Mobilization of funds also considers the availability of finance, budgetary prioritization in a school, the distribution and use of financial resources and possible extra budgetary source of financing.

7. Accountability issues in Financial Management.

Accountability is a very recent found term mostly used in day to day's administrative policy as well as public law, theory and practice. Accountability originates from financial accounting. It is a tool for tracking records and monitoring books of accounts and evaluating the way school money is spent. Accountability pre-supposes the behavior of the two main actors- an accountee, who is responsible to give answers and justify his/her decision. The other one is an accountor who has the obliged to ask questions, get explanations and justifications.

Accountability of money deals with stewardship for the honesty in using money belonging to the public. It guarantees the public that their money has been used in a responsible and profitable manner as intended. It verifies, legalizes and regulates financial accounts. It ensures school that resources gains or adds value to it. In financial management accountability in an institution depends on internal and external control aiming at improving results. It reinforces transparency of money in all the public offices and institutions. Accountability has various activities which includes financial accounting and reporting, accounting controls, procurement controls, physical controls, performance measurement and internal audit. Once the money authorized has been spent, it has to be accounted for and subsequently audited. There are two key accounting techniques relevant for current public sector: cash and accrual accounting. Under cash, transactions and events are recognized when cash is received or paid. There is no accounting for assets and liabilities. Accrual based systems recognize transaction or events at the time economic value is created, transformed, exchanged, transferred or extinguished and when all, not only cash flows are recorded.

Conclusion

To enable the principals do work with better precision, it would be very crucial if they would continuously boost their own professional development by acquiring relevant financial skills and abilities required to effectively manage resources in the school. The principal in return should identify where to find support and learn to accept criticism on how finances can be managed. The principal's professional aspects should be evident while discharging their daily duties. This should be seen as they plan, control and monitor the school finances throughout financial management and in budgeting, accounting and monitoring effective implementation of school budget. The criteria for appointing the principals of schools should be reviewed in order to meet the signs of the time and the challenges in managing bulky money in schools and monitor books of accounts. One of the requirements should include at least a certificate or a diploma in financial management.

In view of the above, there is lack of professionalism in the management of school finances and this call for qualified personnel in the management of the finances. It is important for school administration to realize that school management goes beyond allocating cash items but has to look at school as an investment which would pay dividends to the investor.

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