

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
INSTITUTE OF DISTANCE LEARNING**

**EVALUATION OF THE FINANCIAL CONTROL SYSTEMS IN THE GHANA
EDUCATION SERVICE (GES)**

(A CASE STUDY OF SEKYERE CENTRAL DISTRICT SCHOOLS)

GNUST

By

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**A Long Essay Submitted to the Institute of Distance Learning, Kwame Nkrumah
University Of Science and Technology in Partial Fulfilment of the requirement for the
degree of Commonwealth Executive Masters In Business Administration**

August 2011

DECLARATION

I hereby declare that, this long essay is my work towards the award of Commonwealth Executive Masters in Business Administration and that, to the best of my knowledge, it does not contain any material previously published by another person or one which has been accepted for the award of any degree of the university, except where due acknowledgement has been made in the text.

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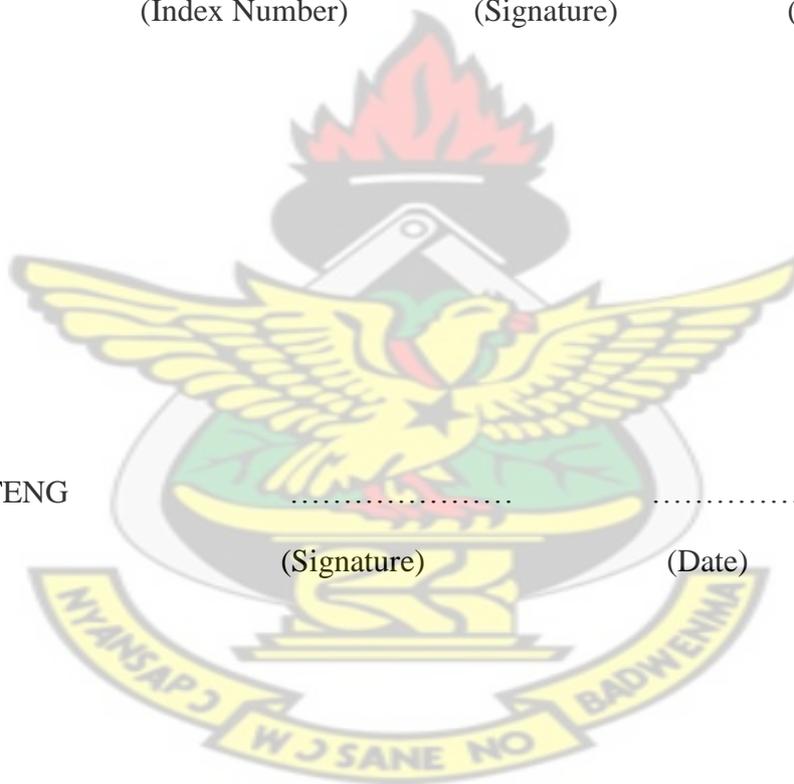
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DEDICATION

This study is dedicated to my parents, Mr George Klu and Hajia Kubura Adizatu and to my wife and children Agnes Ninsao, Vivian Klu Emmanuela and Karen Selaise

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ACKNOWLEDGEMENTS

This master thesis concludes my studies for a master' of Business Administration degree at the Kwame Nkrumah University of Science and Technology Business School during the period March to August 2011.

I am grateful to all those who aided me in the preparation of this study. Many helpful suggestions and valuable comments have been received from friends, relations and reviewers whose ideas have generously supplied an untold number of insightful thoughts. My intellectual debt goes to those academics, writers, and practicing accountants who have blazed new trails in the accounting field. Among those who were especially helpful in the study are Mr.S,A, Kyeremateng ,lecturer at KNUST School of Business my supervisor, Thomas Boadu a classmate, Mr. R.O. Adu Headmaster of Nsutaman catholic senior high school, Mr. R.R. Osei (IPPD Coordinator)Sekyere Central District Education Office Nsuta-Ashanti, and Pastor Ransford Obeng (Head pastor) of Calvary Charismatic centre (CCC) Kumasi for his prayers and spiritual guidance

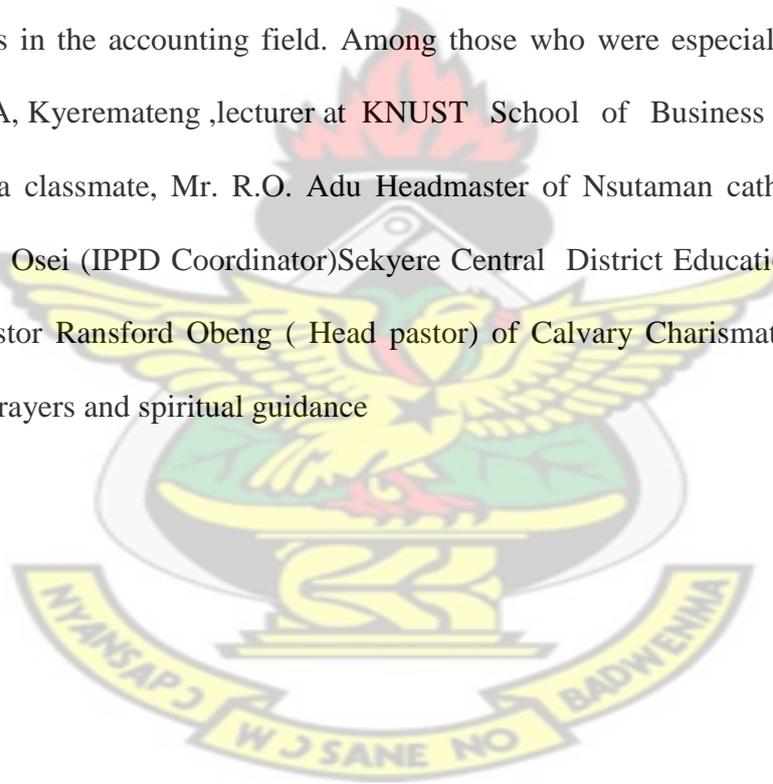
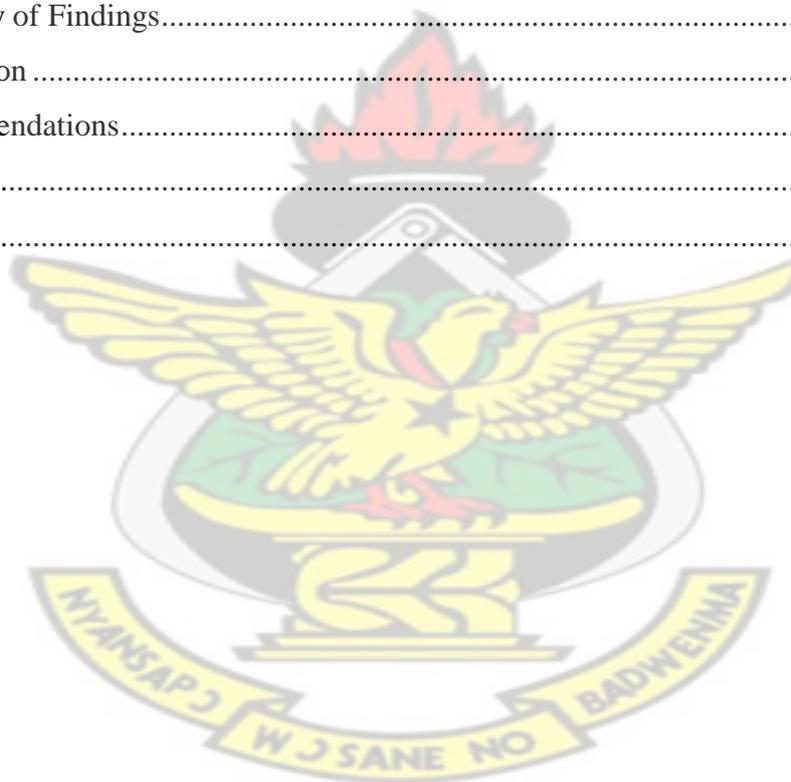


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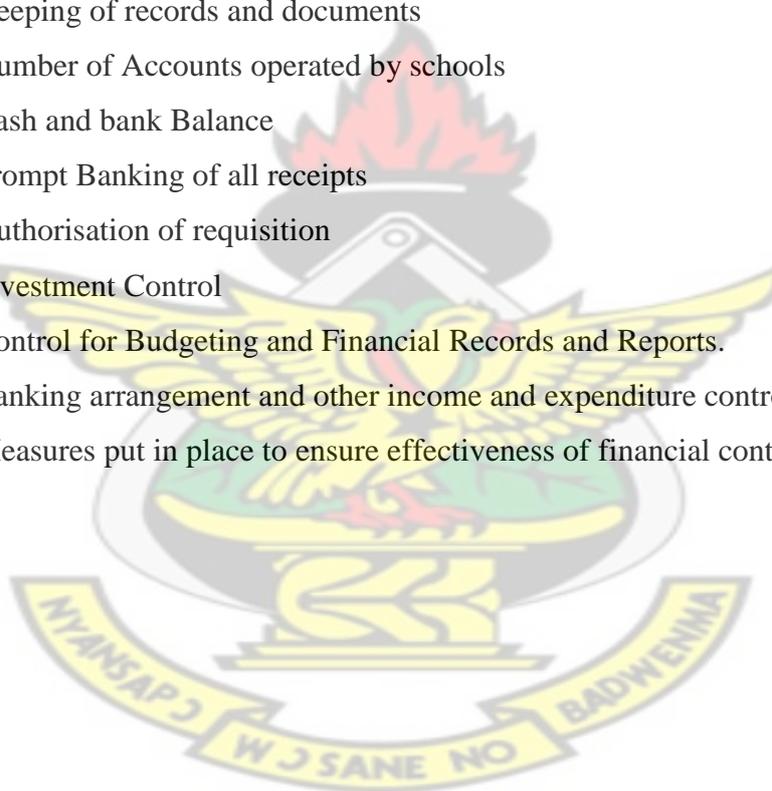
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ABSTRACT

Education is the single most important factor responsible for the transformation of people into very vital human resource responsible for being the agent of change and development. It is recognized that the social economic, political and cultural development of nations depends largely on the quality and amount of education their citizens have. As a result of this assertion, many countries, especially the advanced countries, have spent billions of dollars on education. Ghana and many other developing countries in an attempt to imitate the development efforts of the advanced countries are sinking huge chunks of the GDP on education. Over the last two decades, however, there has been much scepticism concerning the management of funds meant for running public institutions in Ghana. Government upon realising the many loopholes in the financial administration, have enacted several laws to govern the financial administration of public institutions. Despite these many laws and regulations, there have been reports and cases of financial malpractices in schools. The purpose of the study was to determine the existence of financial control systems in GES schools using Sekyere Central district of the Ashanti region as a case study. Data was collected using structured questionnaires, with purposive sampling as the technique for selecting respondents. The study targeted management staff, headmasters/head teachers of first and second cycle schools, accountants, audit staffs, account clerks and cashiers as well as officials of the account section of the district GES. Result of data analysis indicated that there were control systems in the schools. However, there were some defects in the application of these controls. In general terms however, the controls used in the schools were relatively effective despite constraint in the administration of the controls. The study recommended that Internal Audit Units / Department be established in individual first and second cycle institutions.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

Globalisation of business, technological advancement, increasing risk of business failures and the frauds that emerged in the United States of America and elsewhere in Europe have encouraged nations and corporations to place more emphasis on their financial control systems, internal auditing functions and risk management. Every corporate entity, irrespective of its size maintains financial control systems if it wishes to uphold the practice of good corporate governance. The purpose is to ensure effectiveness and efficiency of operations, reliability of financial information and compliance with applicable rules and regulations. For some time now, risk management in general and financial control more specifically, have been considered as fundamental elements of organisational governance.

Government of Ghana had placed top priority on increasing citizen participation to enhance political accountability and economic efficiency in order to consolidate and strengthen the democratic process. Thus, the decision to devolve powers for governance to lower levels of government so that citizens could get involved in the decisions affecting their economic and social development became key.

In the view of the central government as well as the Ghana Education Service deep concern and involvement, to provide efficient and effective services, particularly in the area of education which expends over 40% of the National Budget, there is the need to ensure that institutional finances as well as budgetary allocation are applied properly, hence the need for financial control.

Financial plans cannot be expected to operate satisfactorily, if it is not under the direction and supervision of a competent controller and adequate staff. The efficiency of the finance staff will of depend upon the size of the personnel in the district, but should be of sufficient size and competent to operate efficiently and to provide management with the necessary information to operate efficiently. According to Barlow *et al* (1999), financial controls entail more than the mere recording of transactions; rather it can be used advantageously in almost every management decision. It is better to assist the administrative staff with better understanding of the complex forces influencing the operations of the Sekyere Central district's Ghana Education schools by recognising that a well organised and effectively managed or implemented financial plan can assist in finding solutions to specific problems of education in the districts. It is therefore important to ensure that all transactions find their into the financial records and are organised into data, reports and statements. The use of such plan by management would enable it become accustomed to relating its decisions to their financial effect. It is to be stressed that though the basic financial accounting concept have been developed primarily for use by profit making enterprises, the Ministry of Education and that matter the Ghana Education Service (GES) are no exceptions. It is worth noting that the principle of sound business management such as accrual concept as well as accounting conventions such as materiality consistence, conservatism etc are just as applicable to the GES schools as they are to commercial enterprises.

Effective and efficient financial management administrations in the public sector is a necessity, especially in the face of limited resources of a country which adopted the Economic Recovery Programme (ERP) in April 1983, followed by the Structural Adjustment Programme (SAP) in August 1986 and HIPIC initiative in 2002 so as a to salvage the ailing Ghanaian economy.

It became explicitly clear in the early stages of the democratic dispensation of the country to emphasize on good governance, transparency and accountability and control in government over resource mobilization and utilisation; which has to draw its strength from strong financial management which was a necessary tool for achieving socio-economic and political goals of Ghana.

Over the years, the educational sector's financial management has been saddled with numerous fundamental problems which thwarted the growth and the development of the country's educational reforms. Notable among them are: Insufficient control over public funds in the Metropolitan, Municipal, and District education schools and offices, Lack of ownership of public schools, Weak systems of accountability, responsibility and stewardship, Financial reports of Metropolitan, Municipal and District Education offices and schools in nature and content did not show the true and correct state of affairs. Inaccurate financial and late reporting, thereby delaying governmental decisions and implementations of policies, There were collusions and corruption in the public procurement and payment for goods and services, Government payrolls were full of dummy names due to lack of effective internal control systems, Budget formulation and implementation were poor.

1.2 Statement of the Problem

The GES as one of the decentralised organisations has seen reforms and undergone changes that have shown prudent financial control management and practices. Efficient management of resources, either financial or otherwise is crucial to the development of any nation. To ensure the effective and efficient use of allocated resources, internal control systems, various legislations have been put in place since independence. These legislations include the 1992 Fourth Republican constitution, the Criminal Code of 1960 (Act 29), the Financial Administration Act (Act 654), the Public Procurement Act (Act 663), and the Internal Audit Agency Act (Act 658).

The statement of the problem is that lack of effective financial control in the Ghana Education service has led to misappropriation of fund, and misapplication of funds. However, financial controls only provide reasonable assurance, not absolute assurance. This is because people operate the controls. Breakdowns can occur, human error, deliberate circumvention, management override, and improper collusion among people who are suppose to act independently can cause failures of the financial control to achieve its objectives. Therefore, this study seeks to evaluate the effectiveness of the financial controls in Ghana Education Service schools at the Sekyere Central District of the Ashanti region; ad the researcher posed the question which would ascertain the financial control system in place.

1.3 Objectives of the Study

The general objective of the study is to evaluate the financial control systems in the GES with schools in the Sekyere Central district as case study. This would be realised considering the following specific objectives:

1. To determine whether financial controls exist at Sekyere Central district of the GES,
2. To appraise the effectiveness of financial controls in the GES at Sekyere Central district,
3. To determine the measures adopted to enhance the effectiveness of the financial controls at the district.
4. To identify the constraints in the implementation of the financial controls at the district.

1.4 Research Questions

In order to attain the above objectives drawn from the problem statement, the research seeks to address four main questions outlined below:

- i. What kind of financial control system exist in the district?
- ii. How effective are the financial control systems in the district?
- iii. What measures have been adopted to enhance the effectiveness of the control system?
- iv. What factors limit the effectiveness of the financial control systems in the district
GES?

1.5 Significance of the Study

An independent study to assess or evaluate the financial control practices of the Sekyere Central District GES could not be overemphasized. The research work is justified and significant because of the important role the GES plays in the accomplishment of the development of the people. Academics, opinion leaders and other interested observers have thrown more light on the subject, and on certain occasions mounting up working solutions to arrest this problem.

The output of this study will contribute to knowledge and literature on the subject under investigation and serve as a base for further research for students, teachers, researchers and consultants interested in the topic.

The evaluations of internal control systems have been useful. The main purpose of these controls is to ensure that errors and irregularities are avoided; it is to ensure completeness and accuracy of records and to present or uncover errors and frauds. Therefore, an examination of the efficiency and effectiveness of Financial Control System of the GES would go a long way to help avoid fraudulent practices in the GES schools. It would also make it possible to put in place the measures needed to detect fraud more quickly and efficiently.

It will also provide a framework for handling the appropriate control strategies to the citizenry of Sekyere Central. The study will also afford the GES the opportunity to step up training programmes for schools to safeguard the investment made in education in the country. Thus, the significance of the study is to draw the attention of all players on the importance of internal controls.

1.6 Scope of the Study

The study covers the schools supervised by the GES within the Sekyere Central district of the Ashanti region, with a heap of several functions and responsibilities designed to achieve the development objectives of probity, accountability and good corporate governance. However, in a study at this level, it was not possible to examine all areas making the GES functional in the district. The emphasis of this study was on the review of the financial control system within schools in the district, with a view to identifying potential areas and mapping up appropriate strategies to ensure value for money. This study is therefore limited to the procedures and controls put in place to ensure efficiency, effectiveness as well as the economic use of resources in the service.

1.7 Organisation of Chapters

Chapter one, touches on the background of the study, statement of the problem, Importance of study, scope and research questions which guided the study. Chapter one ends with organization of chapters. In chapter two, related literatures were reviewed. E.g. Definition of Internal Controls from various Sources, Composition of Internal controls. Types of internal controls, Governmental Accounting procedures, practical aspect of internal controls etc. Chapter three outlined the methods used in collecting and analyzing the data whilst chapter

four looked at the presentation and analysis of data. Summary and recommendations were presented in chapter five.

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CHAPER TWO

LITERATURE REVIEW

2.0 Definition of Internal Control

The definitions of internal control are sufficiently exact to avoid misunderstanding and are also comprehensive enough to encompass most performance objectives that are applicable to all organisations, and to accommodate existing definitions. The concept is, however, defined in different ways. For the purpose of this research the following definitions will apply: Internal control is defined as "... a process, effected by an entity's board of directors, management and other personnel, and designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets, compliance with applicable laws and regulations" (Barlow. et al.1999).

An "Internal Control System" is also defined by the APC (Auditing Practice Committee) as "The whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies safeguard assets and secure as far as possible the completeness and accuracy of the records". The individual components of an internal control systems are known as "Controls" or "Internal Controls"

Okai (1991) in his book auditing for you states that internal control comprises of the following: Internal Accounting Controls, Management Controls Internal Audit Controls

2.1 Importance of Internal Control in the Organisation

Woolf (1997), states that many organisations produce and keep up to date charts that depict the organisational hierarchy in linear terms. Such charts have the advantage of indicating

most departmental functions as well as identifying the staff responsible for executing them. Robertson (2002) states that the COSO Report defines internal control as a process, effected by an entity's board of directors, management and other staff, and designed to provide reasonable assurance regarding the achievement of objectives in the following three categories: Reliability of financial reporting, Compliance with applicable laws and regulations Effectiveness and efficiency of operations. From the above it is clear that in today's complex organisation environment, the role of internal control is of such importance that an organisation (especially an administrative unit) cannot operate effectively unless it has the four fundamental concepts of COSO in place (Robertson, 2002).

The concepts are; Process, People, Reasonable assurance, Category objectives,

- It is a process (not an end in itself, but a means to an end).
- It is operated by people; thus irrespective of how good the control systems are in an organisation, it is people who make it work.
- It provides reasonable assurance; Helps prevent and detect failures, but cannot guarantee that they will never happen. It is not an absolute assurance since breakdowns can occur.
- Internal control is designed to achieve objectives in three categories. In the operations category, some examples of objectives are good business reputation and safeguarding assets in the context of their effective and efficient use (Robertson, 2002).

2.2 Committee of Sponsoring Organisation (COSO) Framework Application

According to Applegate and Wills (1999), the objective of COSO is to provide a sound basis for establishing internal control systems and determining their effectiveness. The Framework outlines five essential components of an effective internal control system. Control environment, establishes the foundation for the internal control system by providing fundamental discipline and structure. Risk assessment, involves the identification and analysis by management of relevant risks in achieving predetermined objectives. Control

activities are the policies, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies are carried out. Information and communication support all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allow people to carry out their duties. Monitoring covers the external overseeing of internal controls by management or other parties outside the process.

2.3 Limitations of internal controls

As important as an internal control structure is to an organization, an effective system is not a guarantee that the organization will be successful. An effective internal control structure will keep the right people informed about the organization's progress (or lack of progress) in achieving its objectives, but it cannot turn a poor manager into a good one. Internal control cannot ensure success, or even survival (Opoku- Anto, 2008).

2.4 Exploring the internal controls on asset

Internal Control weaknesses present individuals with the opportunity to perpetrate and conceal fraudulent activity without detection or allow inadvertent errors to occur and not be detected in a timely manner. According to Bridge and Moss (2003), COSO will remain an important source of guidance for an organisation. The following sets of evaluation criteria are needed to guide both management and the auditors when they apply the COSO Framework in the organisation:

2.5 Evaluating the control environment

The control environment sets the tone for an organization. It provides discipline and structure and strongly influences the control consciousness of the people within the organization. The control environment at every organization begins with the administration's philosophy and operating style as well as the priorities and direction provided by its leaders. Bridge and Moss (2003),

Management enhances an organization's control environment when they establish and effectively communicate written policies and procedures, a code of ethics, and standards of conduct. Moreover, management enhances the control environment when they behave in an ethical manner creating a positive "tone at the top" and when they require that same standard of conduct from everyone in the organization (Bridge and Moss 2003).

Management should foster a control environment which encourages; The highest levels of integrity and personal and professional leadership, a leadership philosophy and operating style which promote internal control throughout the organization; An assignment of authority and responsibility which ensures the highest possible level of accountability. Communicate to employees that fraud (embezzlements, stealing, etc.) and conflicts of interest will not be tolerated. Make employees fully aware of their responsibilities Make employees aware of departmental policies and procedures and encourage self-monitoring of operations and job performance on an on-going basis.

2.6 Evaluating the risk assessment process

Risk assessment is the identification and analysis of relevant risks which may prevent the departments from meeting its operational, financial and compliance goals and objectives. Management should assess risks based on the types of activities performed, the organizational structure utilized, and the staffing levels and attitudes within the department. Bridge and Moss (2003) indicate that COSO is aware of the risks involved in pursuing the following objectives: Existence: assets/liabilities exist and are owned, Completeness: all transactions in the period concerned are recognized, Rights and obligations: correct recording of rights and responsibility for assets and liabilities Valuation: assets and revenue are recorded in accordance with accounting principles. Presentation and disclosure: proper

classification of balances this evaluation of risk focuses on management's process for the objective carrying out of risk analysis.

2.7 Evaluating control activities

Control activities are the policies and procedures established to ensure that management's directives are implemented. They must be cognizant of policies and procedures and supplement these procedures with department level guidance when necessary. Managers should also understand that employees will respect and comply with policies and procedures if they see this respect "modeled" from their immediate supervisors, managers and department heads. (Aeran, 2006)

Apostolou, (1990) stated that personnel need to be competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedures manuals. Organizational charts provide a visual presentation of lines of authority and periodic updates of job descriptions ensures that employees are aware of the duties they are expected to perform.

Contemporary control activities include a wide range of activities like approvals, verifications, and reviews of operating performance. These control activities can be organized as: Accounting controls that are aimed at covering the procedures and documentation concerned with safeguarding assets and the reliability of financial records. A strong internal control system with coherent accounting checks enables the accountants and managers to check for errors and misuse of public resources (Apostolou, 1990).

Administrative controls that are applied in covering the procedures and records concerning the decision-making processes that lead employees to carry out authorized activities in achieving the organization's objectives. For example, physical check is an important

administrative tool by which staff that are in charge of control processes undertake regular checks on the goods and removable items owned by the entity. Physical checks help to ensure that the organization's property is used appropriately.

Management controls that are used to cover all the plans, policies, procedures, and practices needed for employees to achieve the entity's objectives. In this context, for example, hierarchical checks provide a powerful tool to make sure that responsibilities are handled in accordance with policies and procedures. These controls help to build a bottom-to-top trust with functioning communication among managerial levels while it diminishes the opportunity for corruption and misuse (Apostolou, 1990)

Segregation of duties is an example of a general internal control principle which is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act (Bridge and Moss 2003).

The separation of certain functions such as initiating, authorizing, recording and reconciling transactions is an important control activity. The amount of segregation possible within a department depends on the size and structure of the department. However, every effort should be made by managers to ensure that one person does not have control over all parts of a transaction. When one person is not allowed to initiate and complete a transaction alone, it prevents fraud (Belson, 2005)

Approving and authorizing responsibilities within departments should be limited to as few people as possible. Any delegated authority should be clearly documented and passwords

must be kept confidential. Also, supportive documentation should be reviewed for validity, completeness and accuracy.

To avoid compromising internal controls, it is important that authorizers ask questions about transactions, require documentation for all transaction placed before them for approval or signature and determine that the transaction is accurate, valid, complete, and in accordance with relevant financial, legal, and contractual requirements. Authorizers have a responsibility to verify and understand the types of transactions that they are approving (Belson, 2005).

Departmental managers are responsible for the physical control of assets within the department. Safeguards should be implemented to ensure proper accountability of assets. Documentation and record retention is to provide reasonable assurance that all information and transactions of value are accurately recorded and retained. Records are to be maintained and controlled in accordance with the established retention period and properly disposed of in accordance with established procedures (Bodin et al, 2005).

2.8 Internal Accounting Controls

Internal accounting control as an element of internal control comprises all controls over the operation of an accounting counting systems. To carry on the business of a company in order to meet the requirement of the companies code, 1963, Act 179 (section 123), management will need to establish an effective accounting control systems comprising of a procedures. The system may be manual, mechanized or computer based for purchasing, recording and controlling transaction, thus forming the basis for the preparation of the periodic financial statement. Example of such procedures are recording of cash and cheque posting of such receipts to appropriate ledgers and the review of such transactions by a responsible official to ensure their correctness.

Internal Accounting Control are instituted to achieve the following

- a. Completeness (that is all transactions are recorded in the accounting records).
- b. Maintenance (that is the accounting records after the entry of the transaction into them are maintained so that they completely and accurately reflect the operation of the business.
- c. Validity and Accuracy – that is a suitable approval and verification procedures are carried out so that the transactions are recorded at each stage of their processing.
- d. Physical Security to ensure that access to assets is suitably restricted.

2.9 Management Controls

Management controls are internal controls procedures that are established and maintained by management primarily with view of achieving operational objectives and efficiencies, the identification and minimization of business risk and the generation of reliable financial information (ACCA, 2006).

2.10 Internal Audit Controls

This is defined as an independent appraisal activity within an organization for the review of operations as a service to management. The existence of an internal audit function is a form of internal control which provides assurance to management that the internal accounting controls are operating effectively and that reliable financial information is generated, the internal audit may also provide assurance as to the effectiveness of management control (ACCA, 2006).

Internal Control has been defined in the book of D. Hanley et.al (1996) “Public Sector Accounting and Financial Control” as comprising the whole system of controls and method both financial and otherwise which are established by management: Safeguard Assets, ensure

reliability and accuracy of records, promote operational efficiency and to ensure adherence to management policies

2.11 Extent of Controls

It is management's responsibility to decide the extent of the internal control system, which is appropriate for the entity. The nature and the extent varies between enterprises and also from one part to another of the same enterprise.

According to Okai (1991), the controls used will depend on the following The nature, size and volume to the transaction of the enterprise The number of administrative staff available The materiality of transaction concerned The degree of control which members of management are able to exercise personally The geographical distribution of the enterprise

The management style of the entity, particularly the trust placed on the integrity and honesty of key personnel's.

It must be noted that the choice of control may reflect a comparison of cost against benefit(s) expected to be derived from them. Many controls which may be relevant to large organizations like Volta River Authority (VRA), U.A.C, Ghana Cocoa Board etc are not practicable, appropriate or necessary in a small enterprise e.g. One Man Business Operation (Addo and Marfo-Yiadom, 2005). In short internal controls in small concerns consist largely of proprietorial supervision that is supervisory role. In large organization\however, elaborate involving complicated chairs of responsibility and multiple divisions of duties are usual (Addo and Marfo-Yiadom, 2005).

2.12 Division of Internal Control

Okai (1991) talks about division of internal control. According to him an effective control system should possess one invaluable and indispensable principle that is separation of

function. This means the recognition that all commercial transactions in practice comprise three fundamental divisions which includes:

- a. Authorizations – initiation of contractual obligation on the company’s behalf.
- b. Custody – the handling of assets involved in the transaction.
- c. Recording – creating documentary evidence and recording in the books

2.13 Budgetary Control

Commenting on the budgetary control, Slippi-Mensah in his Public Sector Accounting Lecture Notes state that the organization should plan and control its expenditure and income to meet its predetermined objectives (the budget).

This would ensure that, allocation are made in the budget for every expenditure which ought to be incurred and this must be in consonance with Act 187(i) of the 1992 constitution which states among other things that “No money shall be withdrawn from the consolidated fund except to meet expenditure.....”

This budgetary control assumes that all income collected and expenditure made have been duly budgeted for and authorized.

1. Accounting Control

Okai (1991) indicated all transaction should be correctly recorded and accurately processed and control accounts kept. It is the duty of the internal auditor to ensure that regulation 707 of L.I 1234 has been brought on the head of the Heads of Departments. This regulation however states that “A Head of Department is generally responsible for the care and custody of equipment held by his staff and he is particularly responsible for:

- a. Keeping of accurate records of equipment held its location and the officer immediately in charge of it at any time
- b. Ensuring that the equipment are kept in proper working condition
- c. Security of Assets, Assets of the organization should be kept in proper custody and not wrongly applied either by error or intent. This proper stock of assets register be kept in consonance with regulation 695 of L.I 1234

2.14 Governmental Accounting Procedure

In the "Financial and Accounting Instruments for secondary schools and colleges. Ghana Education Service (1978), the following are considered as standard procedures in connections with the administration and operation of governmental units accounting system;

1. Accounts are centralized under the direction of one officer who is responsible for keeping or supervising all accounts and for preparing all financial reports.
2. A budget is prepared even if not required by law because budgets are essential to proper management of financial affairs.
3. When purchase or contracts are signed the resulting obligations are recorded at once as encumbrances of the chargeable fund and appropriation
4. Inventories of both consumable and permanent property are kept in subsidiary records controlled by accounts in the general accounting system. Physical inventories are taken at least annually and the accounts and records are made to agree with such inventories
5. Public institutions must follow the standard classification for the class of institutions to which they belong
6. Financial reports are prepared monthly to show the current condition of the budgetary account and other information necessary to control operations. At least once each year a general financial report should be prepared and published.

7. A general uniformity should be maintained with the financial report of other institutions of similar size and type.

2.15 Principles of Governmental Accounting

The following are the basic premises supporting governmental accounting theory and practice; as indicated by Financial and Accounting Institutions for secondary schools and colleges, Ghana Education Service (1978).

1. A government accounting system must make it possible to show that (I) legal provisions have been complied with and (ii) to reflect the financial condition and financial operation of the unit or institution
2. In case of conflict, legal requirements must take precedence over sound accounting practice. In such cases, however, the finance officer has a duty to seek statutory charges that will affect a harmony with sound accounting principles.
3. The general accounting system should be on double entry basis with a general ledger in which all financial transactions are recorded in details or in summary. Additional subsidiary records should be kept where necessary.
4. Every institution should establish the funds called for either by law or by sound financial administration. It should be recognized, however, that funds introduce an element of inflexibility in the financial system.
5. Depending on the legal and financial requirement mentioned immediately above, the following types of funds are recognized: General fund ,Sinking fund, Special Revenue fund, Bond fund. Trust and Agency fund, Utility fund, Working Capital fund.

This classification of funds should be followed to the extent required in the budget document and in the institution's financial reports.

6. A clear segregation should be made between those accounts to current assets or liabilities and those relating to fixed assets or liabilities. Fixed assets should not be carried in the same Fund with current assets (except in the case of working capital fund, utility and trust fund), but should be set up in a self balancing group of accounts known as General Fixed Assets.
7. The fixed assets account should be maintain on the basis of original cost or the estimated cost if the original cost is not available, or in the case of gifts, the appraisal value at the time received.

2.16 Types of Internal Control

Okai (1991) states the following as types of internal control among others on which the Auditor may place some degree of reliance.

- i. **Organisation:** - Every enterprise should have a plan of its organization, define and allocate responsibilities and identify line of reporting for all aspect of the enterprise operations, including the controls. The delegation of authority and responsibility should be clearly specified.
- ii. **Segregation of duties:** - It is necessary to separate those responsibilities or duties, which would, if combined enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of international manipulation or errors and increases the element of checking. Functions, which should be separated, include authorization, execution, custody, recording and in the case of a computer – base accounting system, systems development and daily operation.

- iii. **Physical:** - These are concerned mainly with custody of assets and involved procedures and security measures designed to ensure that access to assets is limited to authorized personnel, this include both direct access and indirect access via documentation. These controls assume importance in the case of valuable portable, exchangeable or desirable assets.
- iv. **Authorisation and Approval:** - All transactions should require authorization or approval by an appropriate person. The limits for their authorizations should be specified.
- v. **Arithmetic and Accounting:** - There should be procedures to ensure that personnel have capabilities commensurate with their responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualification selection, and training as well as the inmate personal characteristics of the personnel involved are important features to be considered in setting up any control system.
- vi. **Supervision:** - Any system of internal control should include the supervision by responsible officials of day – to – day transactions and the recording there of.
- vii. **Management:** - These are controls exercised by management outside the day – to – day routine of the system. They include the overall supervisory control exercised by management, the review of management. Account and comparison thereof with budgets, the internal audit function and any other special review procedures. Management should introduce appropriate controls to prevent or substantially reduce intentional and unintentional errors in the accounting system

There are three (3) elements of most transactions:

- a. Authority to initiate the transaction, committing the company to carry out the contract (authorization)
- b. Control over recording the transaction in the company's records.

- c. Custody of Assets and determine of their release. Each of these elements should therefore ideally be carried out by separate individuals within each area of accounting.

2.17 Practical Aspect of Internal Control

Attwood and Stein (1996) in their book de Paula's Auditing gave the following classification of operation for internal control purposes: General financial arrangements, Cash and cheque received (including bank balances). Wages and salaries. Purchases and trade creditors Sales and trade debtors. Stock (including work in progress) Fixed assets and investment

Some of the principal consideration, according to Armour (2000) that arises in examining these items from the point of view of internal control is dealt with below.

- **General Financial Arrangement:** - the general financial arrangements involved in instituting systems of internal control include: Devising an appropriate and properly integrated system of accounts and record. Determining the form of general financial supervision and control by management using such means as budgetary control, regular interim account of suitable frequency and special reports. Ensuring that adequate precautions are taken to safeguard (and if necessary to duplicate and store separately) important records.

- **Cash and cheque received:** -

Receipt by post and cash sales: - the risk of misappropriation of cash and cheque need no emphasis. Safeguards vary according to the circumstances of each of the business, but the principles of control may be summarized as follows: the number of persons handling cash and cheque should be restricted, responsibilities should be clearly defined, the principles of division of duties, particularly custodianship and recording function (Armour, 2000).

Fixed Assets and Investment:

Fixed Assets: - some of the principal matters to be decided in connection with controls relating to fixed assets are as follows (Caplan, 1999):

- a. Who is to authorize capital expenditure and how such authorization is to be evidenced.
 - b. Who is to authorized the sale, scrapping or transfer of fixed assets
 - c. Who is to maintain accounting records in respect of fixed assets and how it is to be ensured that proper accounting distinction is observed between capital and revenue expenditure
 - d. What arrangement are made to ensure that fixed assets are properly maintained and applied in the service of company (eg by periodic physical checks as to the location, operation and condition).
 - e. What arrangement is to be made for keeping plant and property registers.
 - f. How depreciation rate are to be authorized and evidenced, and which persons are to be responsible for carrying out and checking the necessary calculation.
- ii. Investments: - Arrangement for dealing with investment will involve, inter alia, determining:
- a. Who is to be responsible for authorizing purchases and sales of investment
 - b. What arrangement should be made for maintaining a detailed investments register and who should be responsible for agreeing it, periodically with the investment control account and physically verifying the document of title.
 - c. What arrangements are to be made for checking contract notes against authorized purchase or sale instruction and for ensuring that charges are correctly calculated

Finally internal control system within the public sector makes it possible for the department to do only things that are clearly outlined in their corporate objectives and that expenditure budgeted for should be met or incurred as stipulated by Act 187 subsection (1) of the 1992 constitution (Addo and Marfo-Yiadom, 2005).

2.18 Effectiveness of Internal Control

In the “BPP ACCA Study Text” Certificate Paper 6 The Audit Framework warned that, “No Internal Control System is fool proof”. It therefore states that “No Internal Control System however elaborate, can by itself guarantee efficient administration and the completeness and accuracy of the records, nor can it be proof against fraudulent collusion, especially on the part of those who are holding position of authority or trust(Liu, 2005).

2.19 Limitation of Effectiveness of Internal Control

Okai (1991) states that although internal controls are important, they have their own limitations. Internal controls which depend on separation of duties can be avoided or defeated by collusion of those involved. Authorisation controls can be abused by the person, say a senior official in whom authority is vested. Other factors likely to undermine the effective operation of controls are: Fatigue, Carelessness, Misunderstanding, and error of judgment/interpretation

2.20 Definition of Financial Administration

The financial section of the schools broad set up is a vital component in school management. Most research activities concentrate on the activities of the financial set up since agitation by students, parents and teachers are mostly financial; logistics, infrastructure, teaching aids and other teaching materials constitute areas where lack of good financial management could cause student unrest.

In Ghana, lack of proper financial administrative set up in most private and public schools calls for greater attention of the public as well as how funds raised by these institutions are managed effectively. Finance is a system where monies are obtained, spent and adequate control systems put in place as a check on acquisition and expenditures (Ahwoi, 1986).

In every organization, finance acts as a function in which all the administrative set up revolved as such any action taken by employees in the financial set up would have either direct or indirect financial implication which would either benefit or not be beneficial to the organization (Simons, 1995).

School financial administration is therefore a vital component of the broad field of school administration. It determines the availability of facilities that are very much needed to enhance the process of teaching and learning. Hence, it constitutes an area that demands the attention of educational researches. This demand is probably greater in Ghana where inefficient school financial administration is believed to be the main cause of instability that characterized the administration of public and private second cycle schools in Ghana during the last decade (Halpin, 2002).

Yet in Ghana school financial administration is one area within the educational sector that has not been given much attention. The result of this short fall is the inadequate literature on the utilization of schools funds in Ghana. Finance is a function through which monies are obtained, spent and controlled. No public institution can function without finance and every administrative action taken by employees will have either a direct or indirect financial implication. Government receives its funds from the public in the form of taxes, tariffs, levies, fees, fines and loans (Cloete, 1998).

Finance is not just a matter for specialization only. It is part of a toolkit that any manager should look for in understanding and resolving business issues. Knowledge of finance can influence the process of creation of value and the effect is that, it becomes much easier to solve business problems. This book covers all the topics of finance except those that are only of interest to specialists (Adams and Joseph, 2004).

ACCA (2006) defines financial administration as the administration of the finance of a business, that is financial planning and financial control in order to achieve the financial objectives of the business. The financial objective of an organization is to maximize the value of the organization.

ACCA (2006) further reports that financial administration covers all the functions concerned in attempt to enforce those financial resources obtained and used in the most effective way to secure attainment of objectives of the organization.

Roblihet (2006), stated that financial administration is that activity which is concerned with the planning and controlling of the firms' financial resources, that means financial administration is a functional area in organization through which efficient and effective production and marketing of goods and services can be affected. Public and private second cycle schools and other sectors of the economy depend on wise financial administration.

Walton (2002) defines school financial administration as financial activity that concerns itself with survival and maintenance of an organization and with the direction of activities of people working within the organization in their reciprocal relations of the end that the organizational purpose may be attained. These several authorities have discussed

participation in administration generally of which financial administration is an integral component. There are also several rooms of thoughts that make finance a vital component in the administrative set up.

Graham (2006) talked about employee participation in administration. Graham addressed the importance of communication in participation. He defines participation as “the inclusion of employees in the decision-making process of the organization”. He concluded that participation, which involves a sharing of decision-making by employees, implies also that the employees have access to sufficient information on which to base their share of decision. Graham argues that the forms that communication takes can profoundly affect the attitudes of the employees and the degree to which they understand and support management policies. In his view, many individual disputes originate in the failure of communication – a misunderstanding between the employees of the intentions of management and vice –versa or a misrepresentation of company policy. Graham maintains that participation can only be successful in communications are two way and efficient. He suggests that their representative and management and employees must both be assured of the offer good faith.

George and Pinches (1990) sees finance as a word used to describe both the money resources available to governments, firms or individuals and the management of these monies in his book titled “Essentials of financial managements”.

Davis (2000) sees participation as mental and emotional involvement of persons in group situations that encourage them to contribute to group goals and share responsibilities for them. He advocates participation because of its numerous attendant benefits. He views participation as an effective means of ensuring among others the following benefits: higher

output, better quality of work, more suggestions, improved motivation, and feeling of acceptance, great self esteem and higher job satisfaction. Others are greater corporation reduce stress, greater commitment to goals, better acceptance of change, reduce turn over, less absence and better communication.

In financial administration, communication of adequate information to workers enhances their participation and their active participation generally gives several significant desirable outcomes. From the ongoing definitions, finance can be term as the acquisition and investment of cash for the purpose of enhancing value and wealth. In order to get accurate results there should be effective communication among workers or in the financial sector so that sharing, passing on opinions to the recipients is properly done.

2.20.1 Financial Administration in GES

One of the dynamic aspects of Education is the general belief that investment in it will yield great dividends. Its main contribution to nation building is the supply of manpower needs. Education in Ghana is a contributing factor to national development. In the Ghanaian scene, Education in the arts is offered in secondary schools and colleges. However, no much support is given for its development in official circles. Education authorities pay lip services to its potentialities but fail to give it the required physical support. This is mainly due to ignorance, negative attitudes and biases in the value they place on art. Some educational administrators consider art as a frill and tenuous and therefore do not pay much attention to its funding. Notwithstanding the meager sums of money that are allotted for art departments in secondary schools, some heads of schools divert some for other purposes due to inadequacy of funding (Owusu, 2008).

2.20.2 Internal Audit

Finances are to be supervised and coordinated within the Ghana Education Service. Procedures and controls of the finances are vetted in an act establishing Internal Audit Agency to co-ordinate, facilitate, monitor and supervise internal audit activities within the ministry. This is to secure quality assurance of Internal Audit within the institutions of state to provide for the Board of Internal Audit Agency and to provide for connected purposes.

Tribunal was set up under the new financial administrative act made up of a high court judge, a professional accountant, chartered accountant, management accountant and a professional valuer to effectively handle issues to ensure that the public resources were used judiciously and for specific purposes. The specialized financial tribunals were set up because the traditional courts lack the capacity to handle such issues effectively (GNA April 29, 2009)

It is the work of government to instill good financial management into the public financial systems instead of the structural approach which was currently in use and were full of improper accounting and auditing, weak budget formulation and preparation as well as weak expenditure monitoring and control (Domolovo, 2009)

The Audit Reform Act promotes timely and effective audit of transactions and the procurement. This would help streamline public sector procurement of goods, works and services and establish effective monitoring and tracking system (GNA, 2009).

It is worthwhile for handlers of financial systems be abreast with correct issues and acts on financial administration, which includes auditing, procurement and its effective controls in the Ghana Education Service which absorbs the large government budgetary allocation of 22.6 percent. Officers must acknowledge the proper control systems put in place in the Audit

Reform act as well as procurement reforms act so as to be able to put in proper control systems in their work places (Otoo, 2009).

In order to sustain a better audit and control systems, strategies were put in place by government of Ghana which includes Recurrent Budget Task force, Special recruitment, expenditure and tracking control systems. The on-going control system includes integrated personnel payroll data, public financial management reform programme, Education, Health forecasting reforms (Internal Audit Reforms, 2001).

2.20.3 Educational Research and monitoring in Ghana Education Service

The ministry of education and its implementation agency, the Ghana Education Service has responsibility for policy and curriculum development for the nation's pre-university education. Regional and District Education Officers represent the ministry in the regions and districts respectively. It is from these offices that education inspectors visit the schools. As it was mandated in the 1961 Education Act, local authorities that are local government had educational responsibilities. They approved the opening of new public schools and as a result of inadequate national funding, were responsible for maintaining school infrastructures. Teacher training remains the duty of the national government, but the religious denominations that have had long histories in the provision of schools also continue to maintain affiliations with their former institutions. They influence the selection of headmasters for these schools and colleges. (Bannerman, 2008)

In the first two decades following independence, a division within the ministry of education handled matters concerning higher education. This changed in 1969 when a government decree created the National Council for Higher Education as the advisory body on "the development of university institutions of Ghana." In performing its functions, the council –

which included representatives from the universities, some members from the council for scientific and industrial research and others appointed by the central government – was to take into account “the total national resources, needs and development” programmes. Following the educational reforms of 1987, the monitoring of higher education has come under the ministry of education agency called the National Council for Tertiary Education. The day-to-day administration of the universities rests with the various vice-chancellors while principals administer the nation’s polytechnics (Bannerman, 2008).

KNUST

Research that informs the educational system in Ghana takes place at different levels. The Curriculum Research and Development Division of the Ministry of Education, the National Advisory Committee on Curriculum for Pre-University Education (including representatives of the Ghana National Association of Teachers) and the Bureau of Ghana Languages have all contributed to educational improvements in the country. Also important are the various studies conducted on education at the institutes, centers and university departments.

In the nation’s long history, there has been periodic concern expressed about the adequacy and quality of schools. A consistent complaint, however, has been inadequate educational funding. Ever since the 1951 Accelerated plan, central government expenditures on education have remained high. In the past thirty years, the average expenditure on education was equal to 25 percent of the total national budget. In 1985, when the government was preparing to introduce educational reforms, the amount of the national budget spent on education rose to as high as 31.5 percent. In 1996, approximately 24 percent of total national expenditure was on education. A considerable portion of this total spending on education has been spent on basic education. Between 1990 and 1998, for example an average of 67 percent of the total expenditures on education went to support basic education. How much of national funding on

education should continue to support primary and secondary education over tertiary institutions has been a subject of national debate. Some have called on tertiary institutions to improve their financial situations by considering commercialization-that is, by establishing consulting services. In the wake of limited government assistance, a number of “Educational Funds” have been created by university institutions. Such support notwithstanding, it should be noted that parents are increasingly called upon to assume more financial responsibility for their children’s education in Ghana schools. The long term ramifications of this change are unknown (Bannerman, 2008).

KNUST

2.21 Budgeting in Education Sector

The mode of budgeting in the educational sector is the bottom – up approaches (Adams and Joseph, 2004). This is to ensure maximum commitment and co-operation of all officials with respect to their budget and all institutions that would be responsible for implementation of the budget process. All sources of potential revenues and other incomes as well as related expenditure must be taken into accounts in preparation of a draft. Head of departments are allowed to submit the budget of each sector to the accountants or District Budget Officers for compilation. All sectors and departments would have inputs to the budgetary preparation. A broad base budgeting approach is adopted. The budget involves the preparation of estimates for expected incomes and probable expenditures for the future. “A budget is a financial and quantitative statement prepared prior to a defined period of time to the policy to be pursued during that period for the purpose of attaining a given objective. It may include expenditure, income and employment of capital” (Otoo, 2008).

A budget of a school translates the work programme of the school, as carefully planned by the head and his staff into monetary terms. The budget for the activities of an agency fixes the magnitude, the scope and the quality of services which government renders (Millet, 2004).

A budget is primarily a planned device but also serves as a basis for performance evaluation and control. A budget is prepared either quantitative terms or in monetary terms or in both. “In public and private schools it is worthwhile to prepare the budget in both qualitative and monetary” (Domolovu, 2008). Budgets are prepared for a definite future period and the purpose is to implement the policies formulated by management for attaining the given objectives.

The preparation and submission of budget estimates constitutes an aspect, which is important, which is an important approach to obtaining funds to carry out activities of the school which the preparation of budget estimates is essential, the right approach to budget preparation could make a difference between schools which receive adequate or near adequate funding and those which receive just a little amount of funding (Halpin, 2008).

Monitoring of budgeted activities are involved from the inception of schools to enable the head of a school makes sure the budget estimates are prepared and promptly submitted. The budget reflecting the work programme of the school, gives indication of the amount of work the school can undertake during the ensuing year. It also helps the government to know the total expenditure and to compare the amount of possible expenditure with probable revenue. This will enable the government to decide whether to give approval to the anticipated expenditure, that is if the probable income will match the expenditure, to reduce the volume of production if total expenditure exceeds possible income or resort to deficit financing and

approve the expenditure to be incurred even when possible income falls short of total possible expenditure. (Okra, 2008)

While the ideal situation is for government to produce a balanced budget, it sometimes becomes necessary for the government to embark on a deficit financing. As Millet (2004) points out, some economists and statesmen would accept the desirability or perhaps the necessity of an “imbalanced” rational government budget as a way of solving the problems of large scale unemployment and declining levels of industrial output. As stated, a budget could not be perfectly balanced but with effective planning, coordination communication, source of motivation and control a successful budget to attain the expected outcome could be arrived or obtained.

2.22 Financial supervision and management

It is worthwhile for the head of the school to exercise adequate supervisory role over the work of the subordinates especially the accountant and other accounting officers of the school. Supervision is necessary and is required in a number of ways.

A good budget reflects the total revenue and expenditure expected. The head of the institution should therefore direct and supervise. One important aspect that requires a very effective supervision is concerned with the writing of cheques and payment vouchers. (Otoo, 2008)

Sound financial management ensures efficient use of resources and contributes creditably to the attainment of institutional goals and objectives.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter outlines the methods used in collecting and analyzing the data. The study aims at identifying the main internal control systems, the extent of their efficiency and effectiveness and the main constraints in the effective and efficient use of the controls systems. The significance of this chapter is to show in a coherent manner the systematic steps that were taken during the data collections stages. The research design was the first step taken during the data collection process.

3.1 Research Design

A research design aims to highlight in technical terms what is to be done (Cooper and Schindler, 2003). The research design applied in this study was based on the classification scheme provided by cooper and schindler and is described in this section. The scheme takes cognisance of the degree of the research question crystallisation, method of data collection, research control of variables, the purpose of the study, time dimension, topical scope and the research environment. These aspects are addressed below:

The data was collected from the respondents by means of interview using a questionnaire as the measuring instrument; an interrogation/communication approach was followed. The researcher merely recorded the responses of the respondents and did not attempt to control or manipulate the variables in any way. This was a cross sectional study as the data was only collected on one occasion and represents a snapshot of the respondent's responses at a specific point in time, which was during March 2011. Finally, the research was carried out

under field conditions as it was conducted in actual environment conditions which are the respondents, were interviewed at their work places at Sekyere Central District, Nsuta The researcher merely recorded the respondent\'s responses with no manipulations of variables

3.2 Population

The intention of the study was not to generalize the findings to all evaluation of financial control in the educational system in Ghana, but to obtain a large and sufficiently diverse sample in order to obtain a meaningful financial control system in sekyere central district schools. The population of the study was made up of management, Accounting staff, Internal Audit Department in the district education office, headmasters, head teachers of SHS and JHS schools within the district, .

3.3 Sampling of the study

Constraint such as the terrain, finance, distance, knowledge of the respondents and time of submission of the research report it was it not possible to collect all the data from the population selected .A greater sample of the participants were from the Audit Department not only for reasons of convenience but because they go round all the schools to evaluate the financial control systems in the district. A sample size of 70 respondents was selected. For this particular study a minimum size of 45 would have been acceptable, but to improve the results of the study a sample of thirty-eight was feasible. Those who have sufficient knowledge about the topic under study were selected. A non probability sampling approach was employed in the study . Judgemental sampling method was applied. This was because those who had knowledge of the topic under study were selected. The distribution of the target population groups is represented in the table below.

Table 1: Number of respondents survey in each population group.

| Population Group | Total Population | Number of respondents intended to be surveyed |
|----------------------|------------------|---|
| Management Staff | | 7 |
| Headmasters of SHS | | 6 |
| Head teachers of JHS | | 4 |
| Accountants | | 7 |
| Audit Staff | | 9 |
| Accounts Clerk | | 5 |
| Total | | 38 |

3.4. Data collection techniques

This section considers the method of data collection, the design of the questionnaire and the manner in which the questionnaire was administered. The period in which the fieldwork was conducted, sample size, and number of usable questionnaire is also classified.

Data may be grouped into two categories, namely quantitative, that is collecting data in the form of numbers, and qualitative, that is data in the form of words or pictures (Neuman,2003).Kumar (1999) explained that a study is classified as qualitative if its purpose is primarily to describe a situation, phenomenon, problems or event, the information is gathered through the use of variables measured on nominal, or ordinal scales, that is qualitative measurement scales, and analysis is done to establish the variation in the situation, phenomenon, or problem without quantifying it.

Alternatively, if the researcher wants to quantify the variation in a phenomenon, situation, problem or issue, if information is gathered using the predominantly quantitative variables, (interval and ratio scales) and if analysis is geared to ascertain the magnitude of the variation, the study is classified as a quantitative study (Kumar, 1999). The study was to determine and

qualify a situation such whether financial control systems are in place at Sekyere Central district education office.

3.4.1 Questionnaire

A questionnaire was compiled and served as the measuring instrument for the study. The study was to identify the financial control systems in the Ghana Education Service in the Sekyere Central district schools. It was assumed that if there is no financial controls systems it can lead to misappropriation and misapplication of funds.

Dillman (2000) distinguishes between three types of data variable that can be collected through questionnaire which are opinion, behaviour, and attribute. He was of the opinion that a good questionnaire should contain all these variables. Opinion variables record how respondents feel about something, or what they think or believe to be true or false. Data on behaviour record what respondents do and are or what respondents did in the past, do now and will do in the future, that is respondents' concrete experience. Attributes are best thought of as things respondent possesses, rather than things a respondent does (Dillman, 2000). Attributes include characteristics such as age, gender, marital status, education, occupation, and income. The questionnaire for the study was designed to include these variables.

The researcher designed questionnaires, which contained thirty eight (38) items comprising open-ended and close-ended questions for respondents. The questionnaire was interviewer-administer questionnaire, which were structured. The choice of this type of questionnaire was influenced by factors such as: Characteristics of the respondents from whom the researcher wished to collect data The importance of reaching a particular person as a respondent The importance of respondents' responses not being distorted or contaminated The size of sample

required for analysis and likely response rate needed Avoiding delays of responses from respondents The above helped to gather primary data on the subject under consideration.

3.4.2 Procedures

The questionnaire was designed for the intended respondents to respond. Responses to interviewer-administered questionnaire were recorded by the researcher on the basis of each respondents answers. Personal, face to face, and the questionnaire were read to the respondents. This interview took place at respondents' work places. Questionnaire was administered to them at their own leisure time agreed with, to avoid getting rush and false responses. The completed questionnaires were checked for correct completion.

3.4.3 Pre- test

The data gathering phase of the study process began with a pilot study. A pilot test was carried out in order to detect the weaknesses in the design and the instrumentation. The size of the pilot group was fifteen subjects, and was not statistically selected. It was carried out at Kwabre district Education office at Mampongeng. Kwabre was chosen because the district shares a boarder with the study area and also the fact that the two district have similar characteristics.

3.4.4 Validity and reliability of data

The need to ensure validity and reliability in research affects all aspects of the research design. Various strategies were used in this study to ensure that conclusions are warranted by the data. The questionnaires were appropriately pre-tested, removing bias from the study to ensure validity. The researcher ensured that a proper understanding of the questions in the questionnaire is made to the respondents.

3.5 The method of data analysis

This section considers the manner in which the data was edited and coded for this study. The method of analysis and statistical techniques applied are also discussed.

Editing refers to the process of detecting errors and omissions, correcting them where possible and certifying that minimum data quality standard has been achieved. Two forms of editing include field and central editing (Cooper and Schindler, 2003).

Field editing is where the researcher checks for errors that may have occurred during the stress of data collection soon after the data has been gathered. Central editing on the other hand is when ambiguous, inconsistent, or missing data is dealt with by the researcher and they are unable to clarify the problem with appropriate respondent (Cooper and Schindler, 2003; Diamantopoulos and Schlegelmilch, 2000). Field editing was applied in this study. When field work is complete for the day, the researcher immediately examined the completed questionnaire in order to ensure that there were no missing responses and that the answers to the open-ended questions were legible, well recorded, words were well spelt. The questionnaires were also given to a friend to re-examine to ensure comprehensive, correct completion, and to remove inconsistent as well as any ambiguous responses. It was clear that no ambiguous, inconsistent or missing data had to be dealt with. Central editing was therefore not required.

Coding involves assigning numbers or other symbols to responses so that the responses can be grouped into a limited number of classes or categories (Cooper and Schindler, 2003). Numeric codes were assigned to each option for each of the questions in the questionnaire.

For example age 20-29 was coded as “1”; 30-39 was coded as “2”. Diamantopoulos and Schlegelmilch (2000), Oberholzer (2007) noted that the focus of any analysis takes one of three basic forms namely description, estimation and hypothesis testing. This study followed a descriptive focus.

With descriptive focus, the aim is to paint a summary picture of the sample or population in terms of the variables of the interest. There are a number of statistical techniques that can be used to undertake descriptive analysis and these are referred to as descriptive statistics (Diamantopoulos and Schlegelmilch 2000).

The starting point in a descriptive analysis is the construction of a frequency distribution for each variable of interest. This indicates in absolute or relative, that is percentage terms how often the different values of the variable are actually encountered in the sample. The data was analysed electronically using a spreadsheet program. The findings were produced in the form of frequencies and percentages in a report format.

3.6 Ethical consideration

As in other aspects of business, all parties in research need to exhibit ethical behaviour. Blumberg et al (2005) describe ethics as norms or standards of behaviour that guide moral choices about our behaviour and our relationship with others. The main aim of ethics in research is to ensure that no one is harmed or suffered adverse consequences from research activities. Stack (2003) pointed out that the essential ethical attributes of any researcher are academic honesty, integrity, and modesty. Stack (2003) additionally asserts that, where living beings are the focus of investigation, there are other important ethical implications that deserve consideration. These include: Protection from harm; Informal consent – the use of

deception is only permissible under very limited circumstances, and only when the study cannot be conducted meaningfully without it. The right of privacy and confidentiality, including giving information about how raw data will be dealt with. The right of a participant to withdraw at any stage.

The above aspects were addressed in the study as follows:

Protection from harm: Taxi was hired for volunteers who help locate various Junior high schools in the district. This was done to protect them from scorching sun and fatigue.

Informed consent: The purpose of the study was explained to the participants as an academic exercise as well as the procedures to be followed. No deception was used in the study.

The right of privacy and confidentiality: The participants were assured that information given will be treated confidential, and will not be passed on to any of their superior for harassment. They were assured that the survey is anonymous and confidential that the identity of the participants would not be revealed. The questionnaire which was provided did not include their names.

The right of participants to withdraw at any stage: The participants were informed that they are at liberty to withdraw from the study at any stage and data that had been gathered from them would be destroyed.

. Honesty with one's professional colleagues is of paramount importance (Stack, 2003). Where the work of another is used or consulted in this study, this has been fully

acknowledged to prevent deliberate or inadvertent plagiarism. Full and accurate referencing of all material was adhered to throughout the study.

3.7 Profile of Ghana Education Service

The overall goal of Ministry of Education is to provide relevant and quality education for all Ghanaians especially the disadvantaged to enable them acquire skills which will make them functionally literate and productive to facilitate poverty alleviation and promote the rapid socio-economic growth of the country (Tettey –Enyo, 2010).

The ministry of Education exists to carry out Government vision of using quality education delivery to accelerate the nations Socio Economic development through the following action plan. The action included: Expanding access to education at all level, providing and improving infrastructural facilities, making education more relevant to national goals and aspiration by focusing on vocational and technical education, making tertiary education more cost effective (internet 16th May, 2010).

The Ministry of Education strategic Plan is to develop a model for inclusive education within the planed frame work of education for all (EFA) there are numerous problems that hinders the outcome of this vision (Bawa, 2010).

Despite in-service training programme and other extra classes, the performance of SHS Students in recent times was at its lowest. The revelations is alarming and worrying not just for mainstream students but more especially for those students with special needs and Ghana's inclusive education agenda (Opoku 24th March, 2010).

Although leaders had relatively positive attitudes towards including students' disabilities or special needs in regular Classrooms, they had limited knowledge of inclusive practices.

Teachers were not providing the individual support to students with disabilities the severally overcrowded Classrooms to allow them to achieve meaningful educational out comes. In addition Head teachers or school principals' expectations of teachers to implement inclusive activities were quite low and organization approaches adopted by schools did not promote inclusive (Ampene, 2007).

Bawa noted that it is important to note aside from these fundamental problems, the government approach to establishing inclusive education since the 1990's has been quite piece meal. And as the global schools and community initiative noted it in its report, this rather Adhoc approach does not augur well for achieving the vision of inclusion in line with the EFA and MDG's agenda.

The ministry of Educations strategic plan is to develop a model for inclusive Education within the overacting frame work of Education for all. EFA. However these issues of the education systems enumerated above are always fading to be stumbling blocks to achieving this vision, furthermore, Ghana is still immense in a situation where structural inequalities in and marginalization of persons with disabilities easily translate into service provision arena. If all these problems of inclusive education is tackled, this vision would be a mirage.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The previous chapter discussed the research design for and methodology applied to this study, and provided details of the research design, the sampling method employed, as well as the manner in which the data was collected and analysed and the design of the questionnaire for this study. The technique used to enhance the validity and reliability of the study outcome was described and the ethical considerations were also addressed.

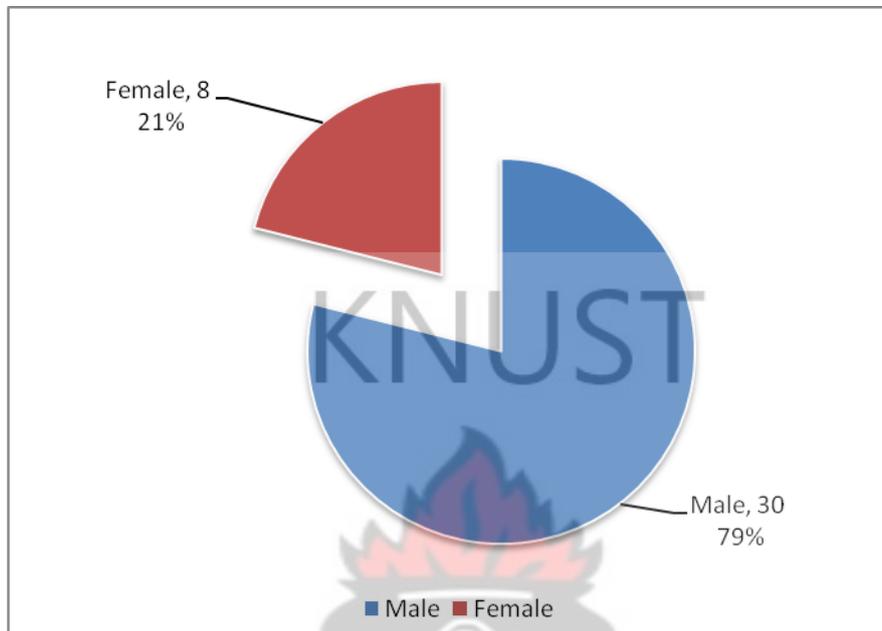
The primary objective of this study was to evaluate the financial controls in the Ghana Education service a case study of Sekyere Central district of schools. The measurement tool for this study was designed, taking into account of a number of earlier studies that dealt with financial management within the Ghana Education Service, challenges of financial control systems and its related issues.

This chapter will address the following: Demographic characteristics of the respondents
Availability of financial control Knowledge in the financial Administration Act. School Budgeting and financial records and report . Chapter summary.

The analysis is also done on the themes posed by the questionnaire. The themes are school budgeting and financial records and reports, bank arrangement and other income and expenditure control.

4.1 Demographic Characteristics of Respondents

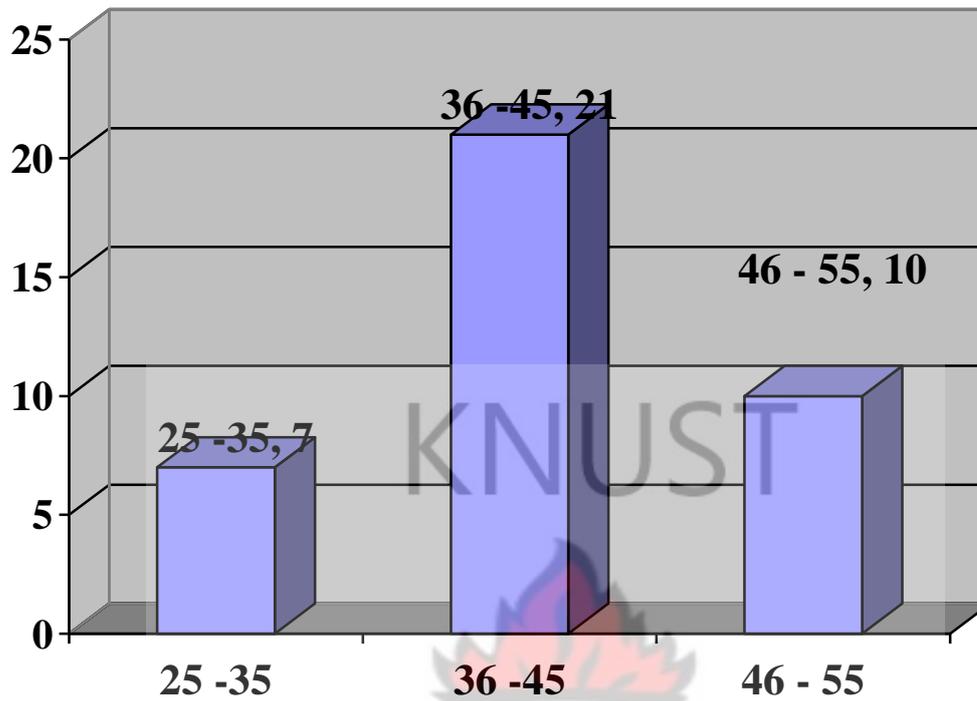
Figure 1: Gender composition of the respondents



Source: Author's field survey, August 2011

The total number of respondents involved in the study was 38. Out of this number, 30, representing 79% were males, with the remaining 8, also representing 21% of the total sample were females. This analysis shows the male dominance of the respondent in ensuring financial controls at the district

Figure 2: Age Distribution of respondents

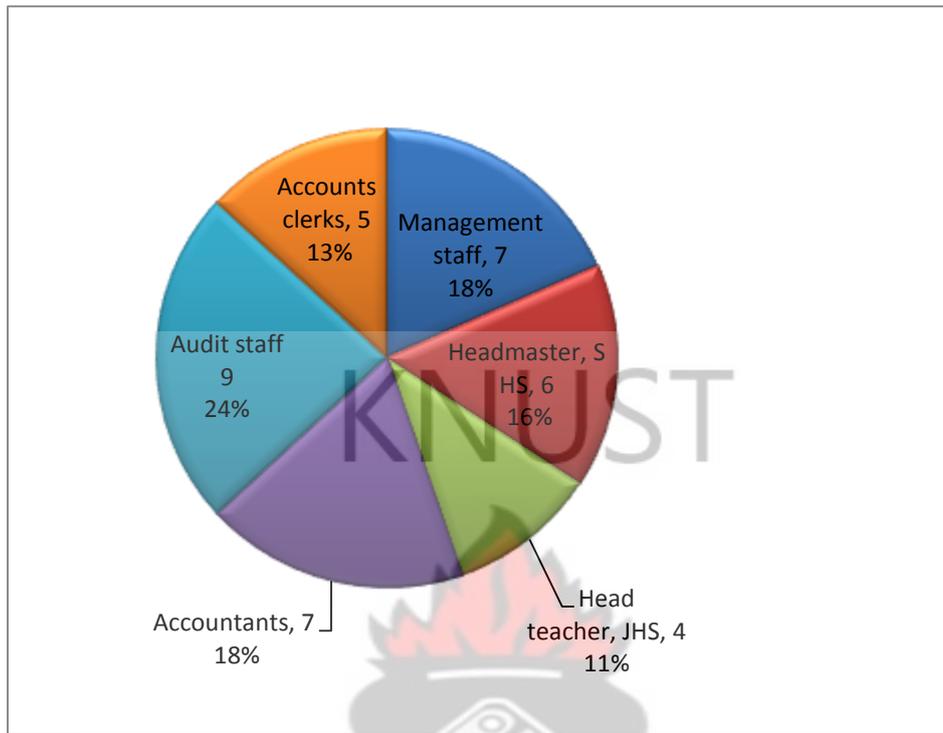


Source: Author's field survey, August 2011

Age Distribution of Respondents

Figure 2 presents the age distribution of respondents. 7 of the respondents were between the ages of 25 – 35, 21 are between 36 – 45 and the remaining 10 were those between 46 – 55. This implies that the district has a lot of human resource to sustain its programmes for a longer time. The groups form a better blend of succession and provide a stream of experienced personnel who can be inculcated with a sustainable organisational culture

Figure 3: Position of Respondents

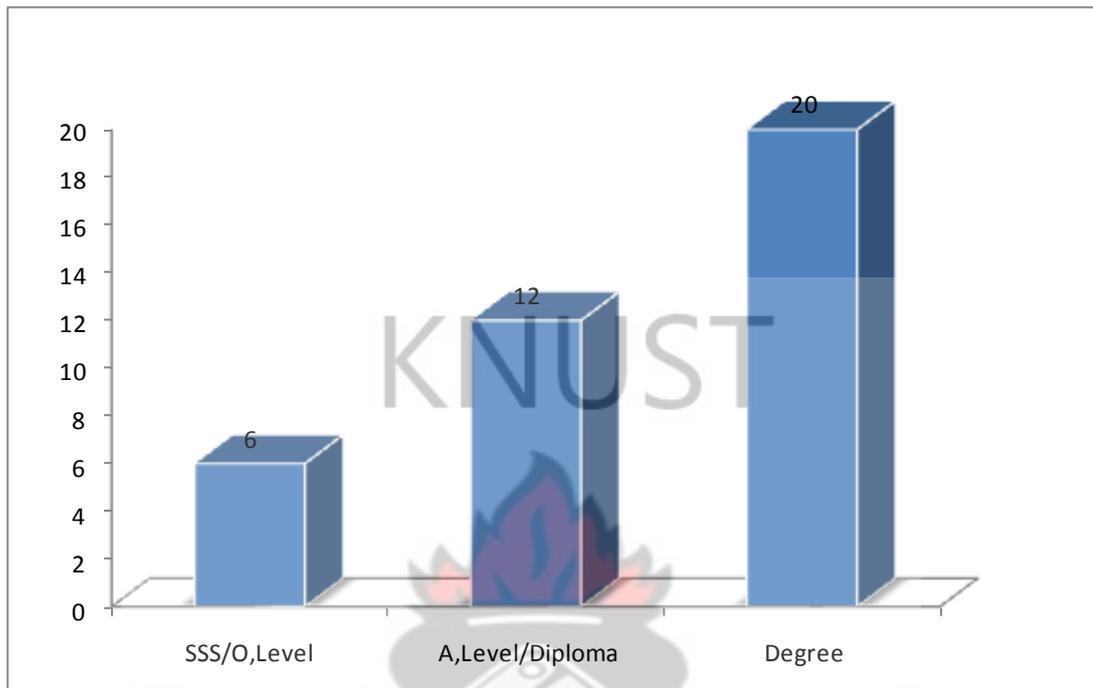


Source: Author's field survey, August 2011

Position of Respondents

In terms of positions, headmasters /head teachers form 17% of the respondents; Auditing staffs constituted 24%, Accountants were 18%, accounts clerk constituted 13, while management staff were 18%. The information in figure 3 shows that the audit staff ensured the compliance of the financial administration of the schools and therefore can assist school authorities to the adherence of the financial regulation in the district .

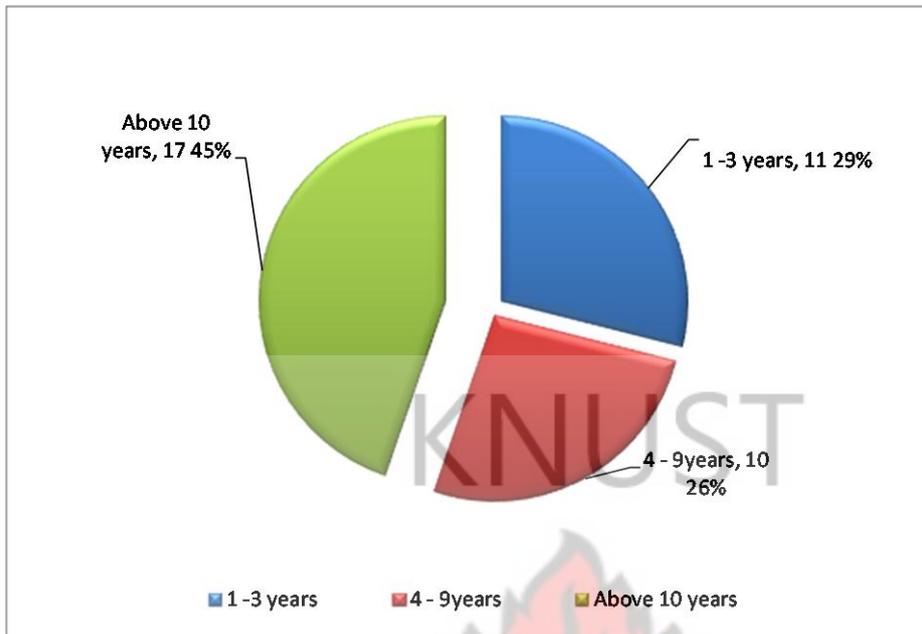
Figure 4: Educational background of respondents



Source: Author's field survey, August 2011

The ability to study, interpret and apply the requisite laws, rules and regulations regarding any subject depends on the individual's background. 6 respondents have sss/o'level 12 respondents have A level/Diploma and 20 of the respondents are degree holders. This implies that about 100% of respondents do have skills in implementing and managing the financial controls within the service.

Figure 5: Number of years worked



Source: Author's field survey, August 2011

Number of years served in position

From the figure above, 45% of the respondents have served in their current positions for the past 10 years and above, 26% have served between 4 – 9 years. The remaining 29% have served between 1 – 3 years.

Data collected also revealed that majority of the respondents had served long enough within their schools to have been involved in the day to day financial activities and therefore suitable for the study. The number of years served also tells on the level of experience of respondents.

4.2 Availability of Financial Control

All (100%) of the respondents agreed that their respective institutions uses some form and level of internal control systems. This establishes the fact that GES schools apply financial control systems internally. Asked about the specific financial controls used, mention was made of such controls as charts of accounts, cash book, financial policy, cheque requisition form.

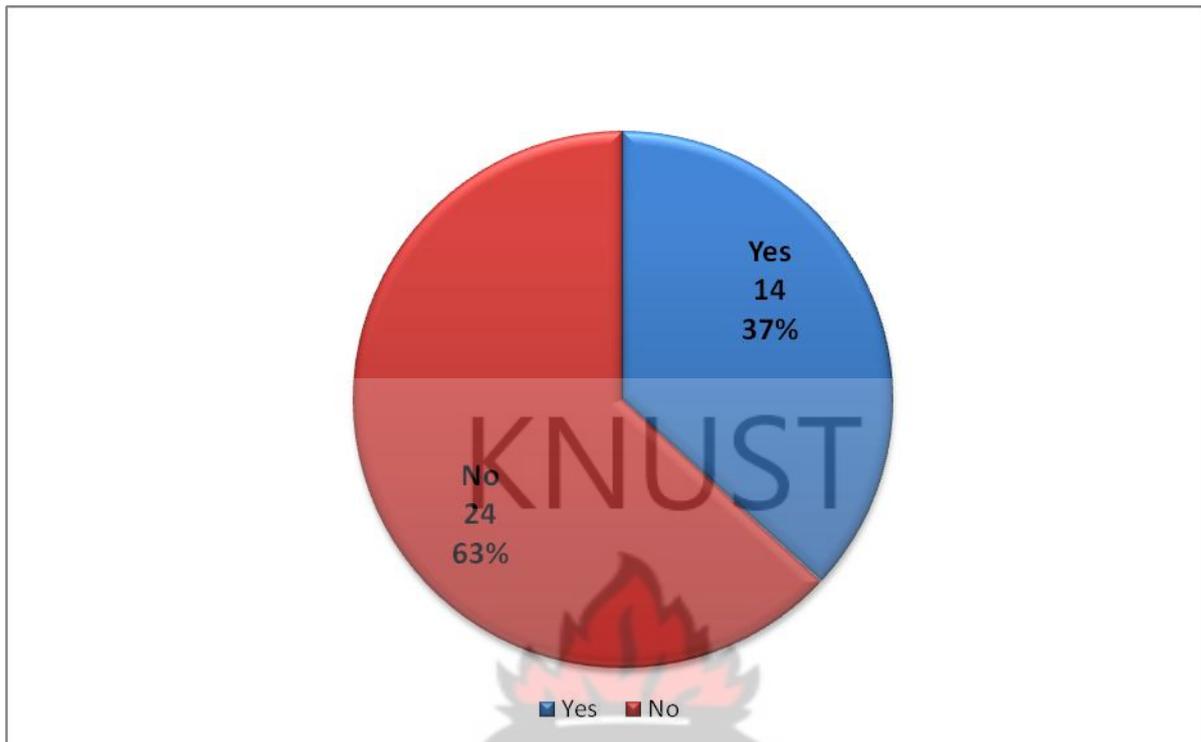
Table 2 **Types of Financial Controls Used**

| Type of Control | Frequency | Percent |
|-------------------------|-----------|---------|
| Charts of accounts | 10 | 27 |
| Cash book | 15 | 39 |
| Financial policy | 8 | 21 |
| Cheque requisition form | 5 | 13 |
| TOTAL | 38 | 100 |

Source: Author's field survey, August 2011

Table 2 indicate that majority (39%) of the schools use the cash book. This is followed by the charts of accounts, 27%, financial policy, 21% and 13% also use the cheque requisition form. The two secondary schools involved in the study contended that they used all the controls mentioned in Table 4.5, whereas the JHS schools apply charts of accounts, cash book and the financial policy. Taking the above into account it became evident that most of the respondents fully understood the types of financial control used.

Figure 6: Knowledge in financial Administration Act



Source: Author's field survey, August 2011

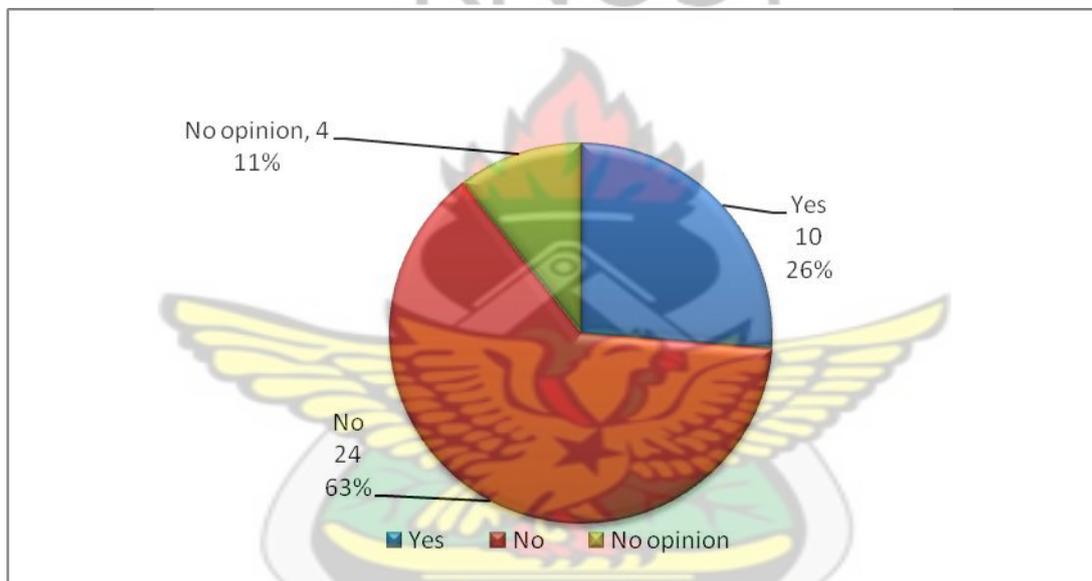
4.3 Knowledge in financial administration Act

From figure 6, 14 of the respondents representing 37% of the total respondents had knowledge of the Financial Administration Act whilst 24 of the respondents representing 63% of the total population used for the research had no knowledge on Financial Administration Act. This shows that those who have no knowledge of the Act outnumber those who have knowledge about the Act. There is therefore the need for in-service training to upgrade the headmasters/head teachers and accountants who have little knowledge or no knowledge at all about the financial administration. Since most of them have no knowledge about the financial regulation act, it is therefore impossible for them to practice the act rightly.

4.4 School Budgeting and Financial Records and Reports

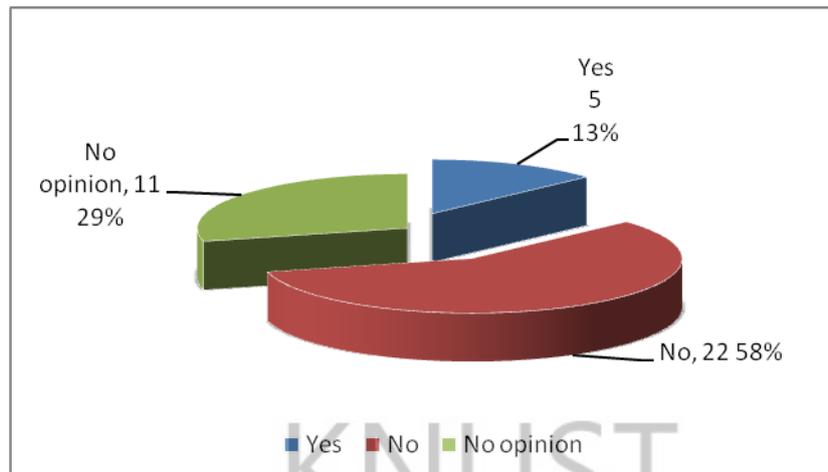
The respondents were asked if their schools prepared budgets on income and expenditure. Data collected revealed that only 26 % of the schools did so. 63% of respondents indicated that they do not prepare budgets and 11% said that they have no opinion on the preparation of the budget. The majority of the schools heads and accountants indicated that they did not prepare budgets on income and expenditure (figure7)

Figure 7: **Preparation of budget on income and expenditure**



Source: Author's field survey, August 2011

Figure 8: **Approval of annual Accounts by Board of Governors**



Source: Author's field survey, August 2011

Figure 8 above represents the approval of annual budgets by the board of governors. 58% of the respondents indicated that they do not have the approval of the Board, 13% of the respondents said they had the approval of the board while 11% said they had no opinion. The school's board of governors (SHS) and management team (JHS) are the bodies that are supposed to provide oversight responsibilities, by advising on all issues of importance. Since finance is a major issue, respondents were asked if boards of governors and the schools' management committees approved the annual accounts prepared. The information provided in figure 8 clearly indicated that, that was rarely the case. However, all the respondents mentioned that every new fee or levy must necessarily be approved by the board of governors. All respondents indicated also that all accounts were submitted to the GES offices at the end of the academic year.

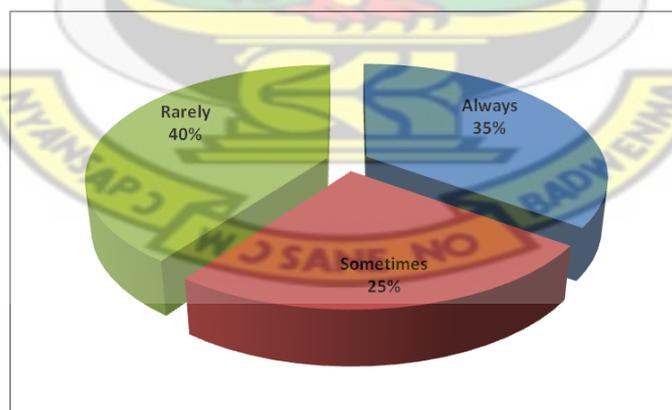
To assure that the accounting system produces timely and reliable data, management should require that the accounts be checked by independent accountant. From this understanding therefore respondents were asked if their accounts for the year were given to an independent accountant for scrutiny. All the respondents replied in the negative. Asked why it was so,

respondents from the first cycle institution contended that because they did not deal with huge sums of money except for capitation granted them by the district GES, they did not see the need to employ the services of any independent accountant. Respondents from the second cycle schools were also of the opinion that since the account would eventually be audited they did not see the need to incur any other cost on an independent accountant.

The question again was asked if the school's accounts were audited. Data collected indicate that majority of the schools were audited. All the JHS schools' respondents indicated that their accounts were audited every year before a new capitation was granted. According to them, they rendered accounts to the district directorate on the details of disbursements quarterly. At the SHS level, respondents indicated that auditors were sent from time to time to come and audit school accounts. They added that a comprehensive audit is done when a headmaster is leaving on transfer. This is done before the new one takes over.

Figure 9.

Keeping of Records and Documents



Source: Author's field survey, August 2011

An effective financial control system demands that documentation is kept for every transaction made in the school. This is necessary for accounting and auditing purposes. These documents include invoices, bank statements, payment vouchers etc. About 35% of the

respondents indicated that they kept records of every transaction. About 25% on the other hand indicated that they kept record of every transaction as much as possible. They were however quick to add during the interview that there were certain contingency situations where receipts or invoices were either unavailable or they gloss over them, especially if funds involved were small. The remaining 40% however indicated that they could not get documents on a lot of the things they spent money on because their schools were located in very rural communities where items bought are rarely receipted, except for bigger transactions in the regional capital.

4.5 Bookkeeping and Accounting Procedures

Accounting is a process-oriented task that follows a prescribed series of steps in order to keep track of, and record, the balances of the various accounts. When a business makes a transaction, the effect of that transaction is recorded in the accounting system. According to the fundamental accounting equation, each transaction will affect at least two accounts and the balances in those accounts will change.

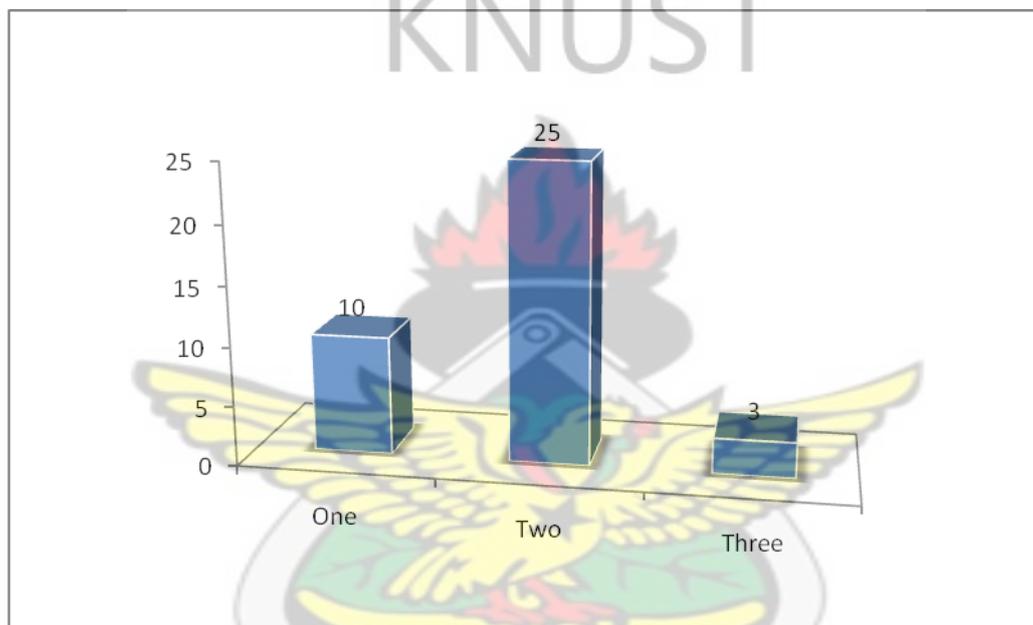
Accounting is the process of keeping track of those changes and recording and then reporting them. About 65% of the respondents maintained that they kept and used account charts and cash books for the recording of every income and expenditure in the school. The remaining 35%, who were all head teachers did not have cash book or account charts in the right sense but however maintained that they were able to account for every pesewa spent in the school.

4.6 Banking Arrangements and other Income and Expenditure Controls

Respondents were asked about the number of accounts their schools operated. As indicated in figure 10, majority of the respondents constituting 25 have two accounts. When respondents were asked about the purpose for the two accounts, they indicated that one was the general

current account and the other mostly PTA or development account. The first is solely managed by school authorities, and the second by a committee comprising of both officials of the PTA and some members of staff. According to respondents the development/PTA accounts are created as and when there is a special project embarked upon for which students/parents were levied.

Figure 10: Number of Accounts operated by Schools



Source: Author's field survey, August 2011

4.6.1 Frequency of Preparing Bank Reconciliation Statement

The aim of this section was to determine the frequency at which bank reconciliation was being prepared.

About the 74% of the respondents indicated that Bank reconciliation statements were prepared monthly. Five of the respondents, representing 13% did the reconciliation quarterly, and the remaining 13% did theirs annually.

Table 3

Frequency of Bank Reconciliation Preparation

| Response | Frequency | Percent |
|-----------------|------------------|----------------|
| Monthly | 28 | 74 |
| Quarterly | 5 | 13 |
| Annually | 5 | 13 |
| Total | 38 | 100 |

Source: Author's field survey, August 2011

They also indicated that they used Bank statement, Cheque Counterfoil, and Cash Book as source document to reconcile the Bank Statement. Out 14 respondents (36.8%) agreed that all cheques and lodgements outstanding after particular month reconciliations are traced through to the next reconciliation period to verify their validity.

4.6.2 Cheque Payment

On the issue of the security of unused cheque book, all 38 respondents (100%) agreed that specific controls are in place to ensure their safety. About 25% of the respondents stated that there was an official responsible for the preparation of cheques; however, 35% of the respondents, who were from the SHS schools, disagreed that cheques could be made out without supporting documents such as GRN, invoices, orders etc.

It was also agreed that all supporting documents for which cheques have been prepared are indicated by a stamp marked paid with date to avoid such invoices being presented again for payment.

All officials of the second cycle schools involved in the study who represented 21% agreed that all cheques required the signature of at least two of the three signatories to be valid and

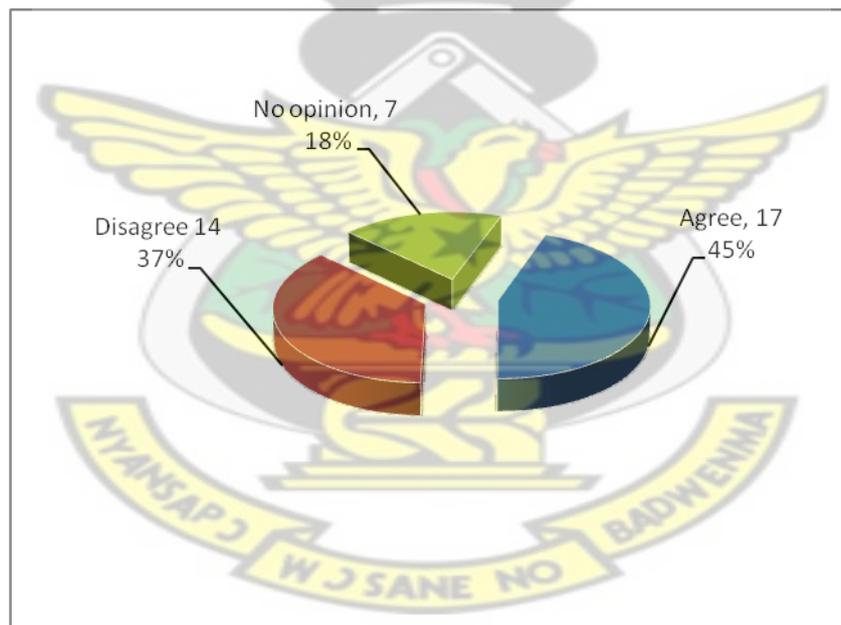
also that the signing of blank cheques was strictly prohibited. At the first cycle level however, vouchers, invoices, GRN and orders are prepared and submitted to the district GES accounts office for approval and payments. The checks and controls were rather done at the district office. Head teachers were however required to submit receipts and invoices indicating details of expenditures of all monies received.

4.6.3 Cash and Bank Balance

From the data collected 17 respondents, representing 45% of the respondents indicated that no other person other than the cashier is authorized to receive cash as shown in the Figure below

Figure 11:

Cash and Bank Balance



Source: Author's field survey, August 2011

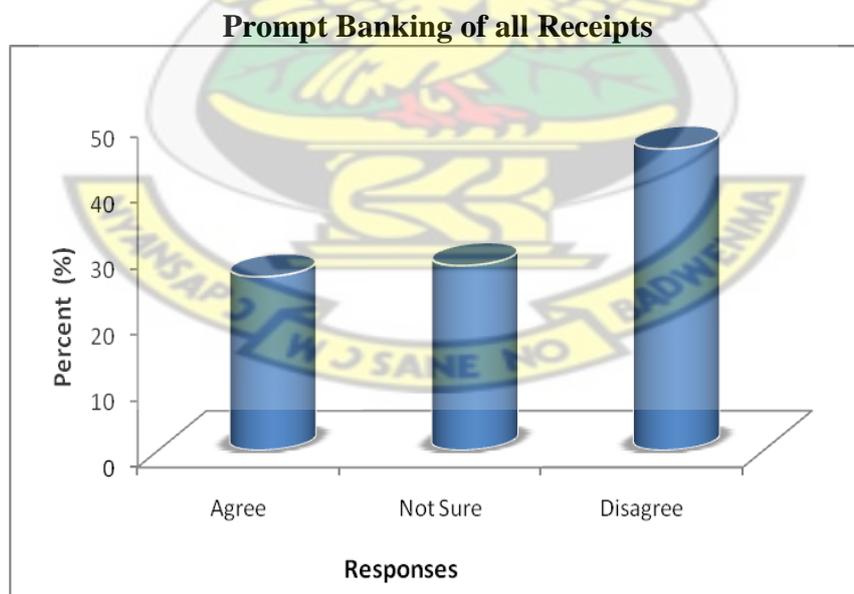
It was observed during the survey that all second cycle schools had cashiers and were the only authorised persons to receive all cash. The situation was different at the first cycle schools. Because these schools did not have accountants or cashiers, the head teachers performed these roles as well. About 12% of the head teachers at the Junior Secondary

Schools indicated however that they had nominated trustworthy teachers from among the staff to perform that role. They however noted that this was not official positions recognised by the GES, and they the head teachers went to render accounts at the district office.

All the 38 respondents indicated that duplicate receipts from the books were securely held and their issue controlled.

Also the researcher wanted to know whether receipts were promptly and instantly banked, 17 of the respondents representing 45% agreed that receipts were promptly and instantly banked. They added that they knew receipts were banked because they were responsible for that. About 7 of the respondents representing 18% of the cashiers said they had no opinion since monies were handed over to the accountants or the head teachers. The remaining 14 respondents representing 37% however disagreed to the statement.

Figure12.



Source: Author's field survey, August 2011

On the use of impress by GES schools, 58% indicated that the impress system was used, while the remaining respondents indicating otherwise. Also, when the respondents were

asked whether IOUs were permitted, 18, representing 47.4% indicated that IOUs were given, 26% answered in the negative. The remaining 26.6% however maintained that it was given but on rare occasions.

4.6.4 Petty Cash Activities

Keeping school funds secure is a major concern for school personnel and the GES. Petty cash boxes/safes should have limited access by school authorities. All petty cash disbursements fall outside of the Procurement Act. Many schools find it necessary to pay small amounts for such things as minor office supplies, post, stationery etc.

When respondents were asked how they managed petty cash, majority of the respondents contended they followed strict instructions in the disbursement of the petty cash. Asked about the specific instructions, it was indicated that petty cash are kept separate from all other cash on hand and that only one person is responsible and has access to the petty cash fund.

A record of each payment from petty cash is kept, showing the person to whom it was paid, the reason, the date, the amount and the signature of the person to whom it was given. Respondents from the first cycle schools reiterated that no one individual disbursement was greater than Gh.¢100.00. When respondents were asked about the process in the disbursement of petty cash, they indicated that prior to making the purchase, a petty cash voucher is prepared. After the purchase is made the receipts are returned to the accountant (SHS) or head teacher (JHS) and attached to the Petty Cash Voucher. If cash is returned, the amount is noted and the accountant or the head teacher signs the Petty Cash Voucher.

Asked what happens when the petty cash fund balance gets low, respondents indicated that it is replenished by drawing a cheque payable to petty cash. The amount of this cheque

according to the respondents is exactly equal to the total of the vouchers. The cheque is cashed, and the money is placed in the petty cash drawer or box.

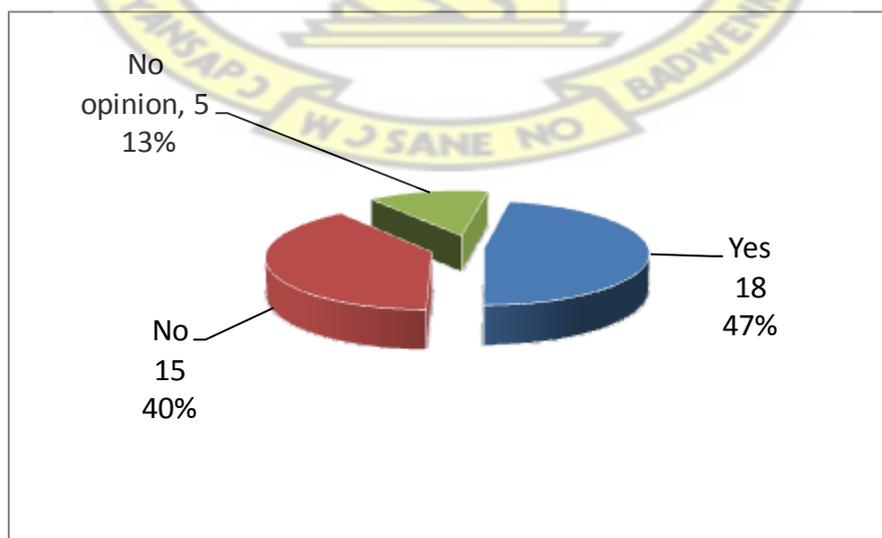
4.6.5 Other Forms of Control

Respondents were asked to identify any other form of internal control apart from the main financial controls being practiced. Mention was made of inventory control and investment control. The inventory controls involves the control adopted in the use and storage of assets and facilities in the schools.

4.6.6 Inventory Controls

The respondents were asked to indicate, if inventory requisitions were subject to proper authorization procedures, 48% indicated that, inventory requisition were subject to proper authorization procedures as depicted in figure 13. About 39.5% however indicated that inventory requisitions were not subject to proper authorisation procedures. There were 13% of the respondents who indicated that they had no opinion if requisitions were subjected to proper authorisation.

Figure 13: Authorisation of requisition



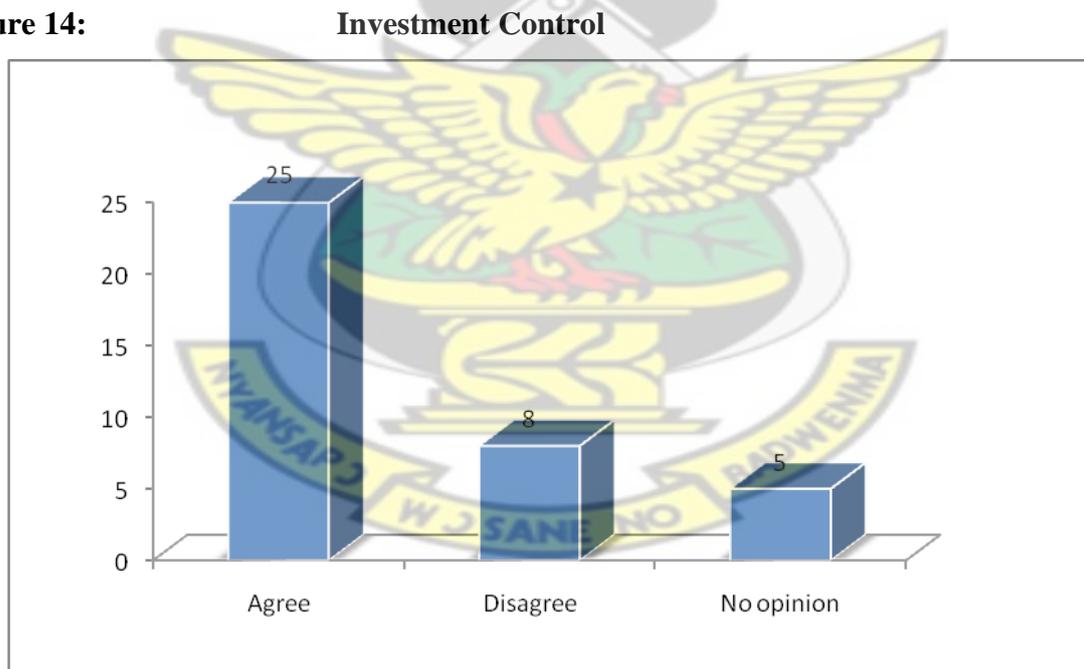
Source: Author's field survey, August 2011

Those who indicate yes in figure 13 also indicated that all transfer and moments of inventory are recorded and also inventory records are reconciled regularly with actual physical inventory balances. Finally, on inventory controls, it was agreed by some of the respondents that goods and materials removed from stores were done only by a properly authorized stores employees.

4.6.7 Investment Controls

The researcher wanted to determine whether there were investment control, respondents were asked to indicate whether there were controls to ensure that all investment income, from whatever sources, was duly collected and rendered. The responses are indicated in the Table

Figure 14:



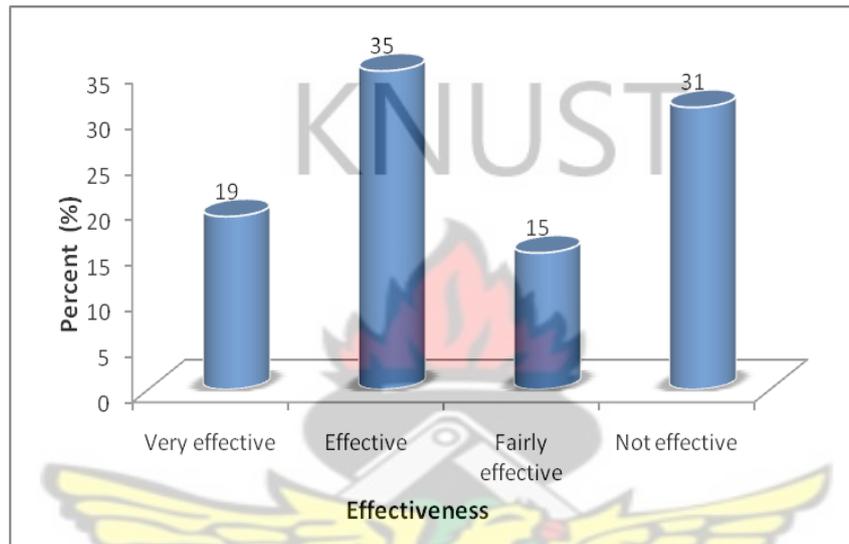
Source: Author's field survey, August 2011

Figure14 Shows that majority of the respondents agreed that there are controls to ensure that all investment income from whatever sources was duly collected and rendered, because 25 representing 65% indicated that it was done, as against 35% who disagreed.

4.6.8 Effectiveness of the Control System

The respondents were requested by item 34 of the questionnaire under the ‘effectiveness of the control System’ to indicate how effective the institution’s control has been, the figures15 and 16 show the responses.

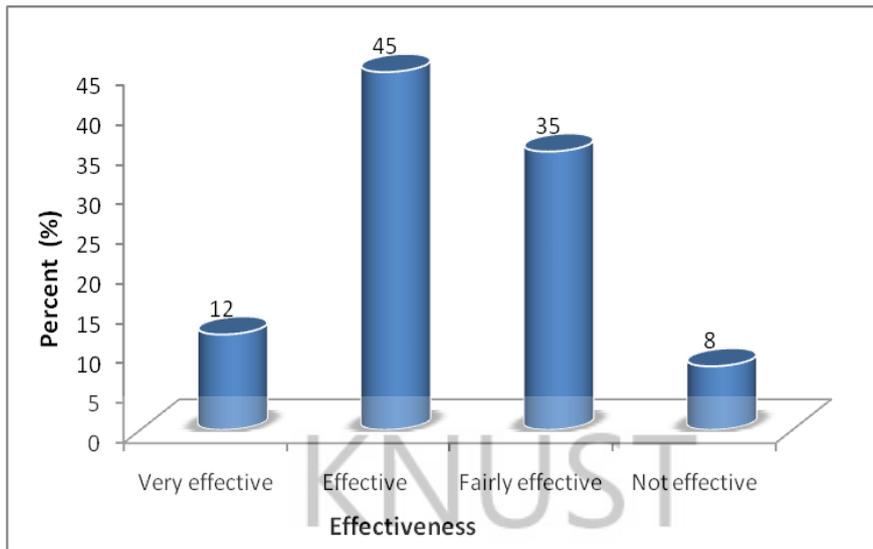
Figure.15 Control for Budgeting and Financial Records and Reports



Source: Author’s field survey, August 2011

Figure14 indicate that 35% of the respondents thought control practices for budgeting and financial records and reports were effective. About 15% indicated it was fairly effective, with the remaining 31% indicating that it was ineffective. The reasons given by those who contended that control practices have not been effective were that there had been instances of embezzlement and misapplication of funds, a situation according to them would not happen if the control system were effective.

Figure 16 **Banking Arrangements and other Income and Expenditure Controls**



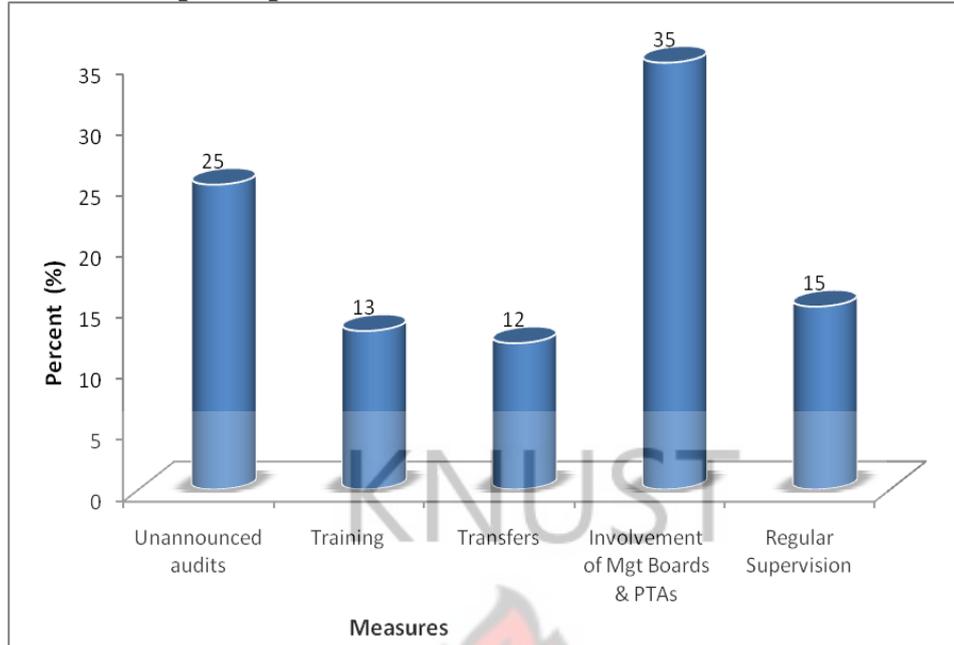
Source: Author's field survey, August 2011

The aim of this section was to determine whether banking arrangements and other income and expenditure controls have been effective. 12% of the respondents say the control system in place is very effective 45% say it is effective while 35% says it is fairly effective. From the Figure 15 above the majority of the respondents indicated that the institutions control has been very effective because of measures put in place by management to ensure smooth running of the institution.

4.8 Measures to improve the effectiveness of Financial Control Systems

Based on the assessment of the current situation with regards to the effectiveness of the financial control systems, respondents were asked about measures that have been put in place to ensure the effectiveness of the financial control system and its application. As indicated, mention was made of regular and unannounced audits, training of staff, Regular supervision by external auditors, transfers of accountants and cashiers, involvement of school boards and school management teams and PTAs.

Figure 17 Measures put in place to ensure Effectiveness of Financial Controls



Source: Author's field survey, August 2011

4.6.10 Regular and Unannounced Audits

According to 25% of the respondents, auditors were sent to audit school accounts from time to time. According to them school management were not given any prior notice of the intended visits. GES officials interviewed indicated that they most of the time did so when they received reports from informants about any financial impropriety going on in the school. Respondents indicated this measure adopted by the district GES kept them on their toes at all times to keep to strict adherence to the control systems in place.

4.6.11 Training of Headmasters and Financial Staff

Another measure that was indicated by 13% of the respondents was training of those who handled finances in the schools. According to them they were given training on the Ghana's financial act, GES rules in the handling of school finances and assets, bookkeeping etc. They indicated that even though these training sessions were not regular, it afforded those who

participated a great opportunity to be abreast with rules regulating the handling of all financial matters.

4.6.12 Transfers of Staff

Another measure, according to 12% of the respondents was the use of transfers to check financial impropriety. Respondents indicated that any time that a headmaster or a staff involved with finance is transferred, an audit is conducted before a successor takes over. This kept them on their toes since transfers could come at any time, especially for those who had stayed at a particular station for three and above years.

4.6.13 Involvement of School Management Teams, Boards & PTAs

According to majority of the respondents (35%), the increasing involvement of board of governors, school management teams, and the PTAs in the financial management of the school has become one positive measure in ensuring the effectiveness of the financial control measures put in place. Respondents indicated that there are now more people to consult, more co-operation to be sought before major expenditures were made. This singular factor, according respondents has ensured the strict adherence to financial regulations put in place by the financial act and financial committees set up in most of the school, especially when it comes to fees, levies and funds raised by PTAs.

4.6.14 Regular Supervision

This measure was mentioned by 15% of the respondents. They contended that the regular supervision by officers from the district financial office, from headmasters kept financial malpractices at the barest minimum if not completed eradicated. They conceded that since

they were beings and sometimes prone to mistakes, the regular supervision kept them alert on the adherence to rules and regulations put in place to check financial improprieties.

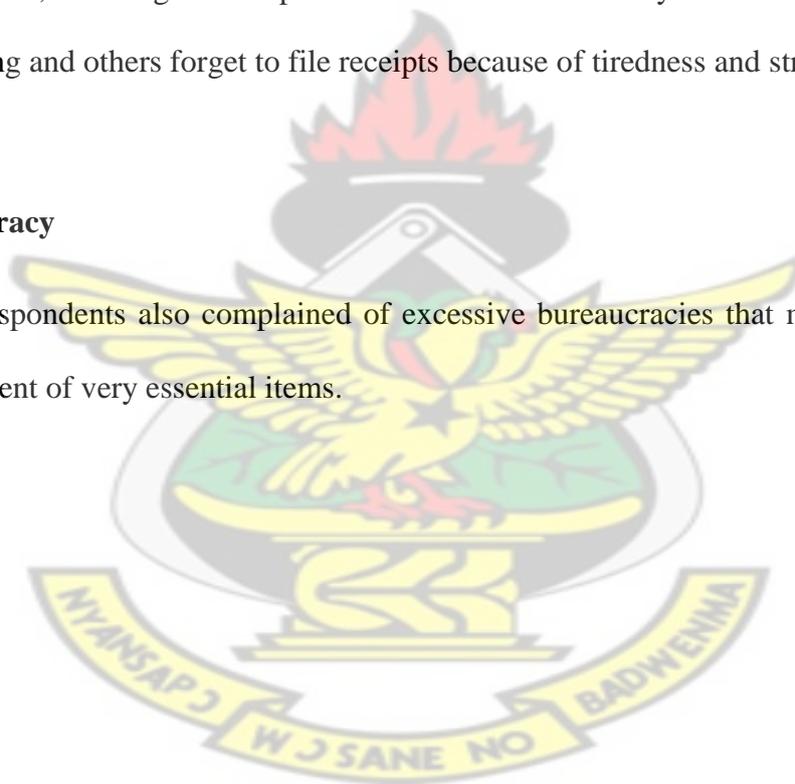
4.7 Constraints in the efficient and Effective use of the Control Systems

4.7.1 Use of outdated hardcopy filings systems

34% of the respondents indicated schools still use outdated hardcopy filing system. They used cards or files, handling of receipts. Some indicated that they sometimes forget to take receipts for filing and others forget to file receipts because of tiredness and stress.

4.7.2 Bureaucracy

Some of the respondents also complained of excessive bureaucracies that most of the time delay procurement of very essential items.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Chapter five of the study is devoted to outlining the summary of the research findings, conclusion and the recommendations. As stated in chapter one, the objective of the study was to determine whether financial control exist in GES, to appraise the effectiveness of the financial controls, and also to determine the measures adopted to enhance the effectiveness of the financial controls in the GES schools. Based on these objectives, the study sought to answer the following the research questions: what kind of financial control systems exist in the Sekyere Central district GES schools, how effective are the financial control systems in the schools, what measures need to be adopted to enhance the effectiveness of the financial control system, and what factors limit the effectiveness of the control system being applied in the Sekyere central district GES? Based on the objectives of the study, and in an attempt to answer the above questions the following were the findings after analysis of the data was done in chapter four.

5.1 Summary of Findings

All schools had financial control systems in place but there were differences in the types of controls used by the SHS institutions and those used by JHS institutions.

Majority of the respondents did not know the details of the financial act which is the basis for any financial control practices.

Most of the schools involved in the study did not have budgets on income and expenditure. Apart from the SHS schools, all the JHS did not have accountants. Head teachers played the roles of accountants in the JHS schools.

The accounts of the JHS and SHS were audited by the district GES officials.

It was also found that majority of the schools kept records of financial transactions for auditing purposes. However, schools located in the rural areas could not obtain receipts for items, especially those procured in their locality.

All schools involved in the study had bank accounts where schools funds were lodged. The SHS schools had two accounts for different purposes.

Majority agreed that all controls associated with banking were done. This included bank reconciliation, bank statements, and the segregation of duties, especially in the receipts, recording and bank reconciliation duties.

Data analysis also revealed that investigations were conducted into outstanding matters that were not taken care of in the previous month's reconciliation to verify its genuineness.

All respondents agreed that strict control was in place to ensure the safety of cheques and that for the SHS schools, signing of cheques required the signatures of the two signatories to the schools' accounts. This was however the case in the JHS schools, where the head teacher was the one responsible for keeping, signing and cashing cheques etc.

It was also found that whereas in the SHS schools cashiers were the ones responsible for the receipts of all cash, head teachers were the ones responsible for the receipts in the JHS, except in situations where the head teachers delegated that responsibility to another teacher.

Another finding made was to the effect that majority of the respondents were not sure whether receipts were immediately and instantly banked by either the accountants or the cashiers.

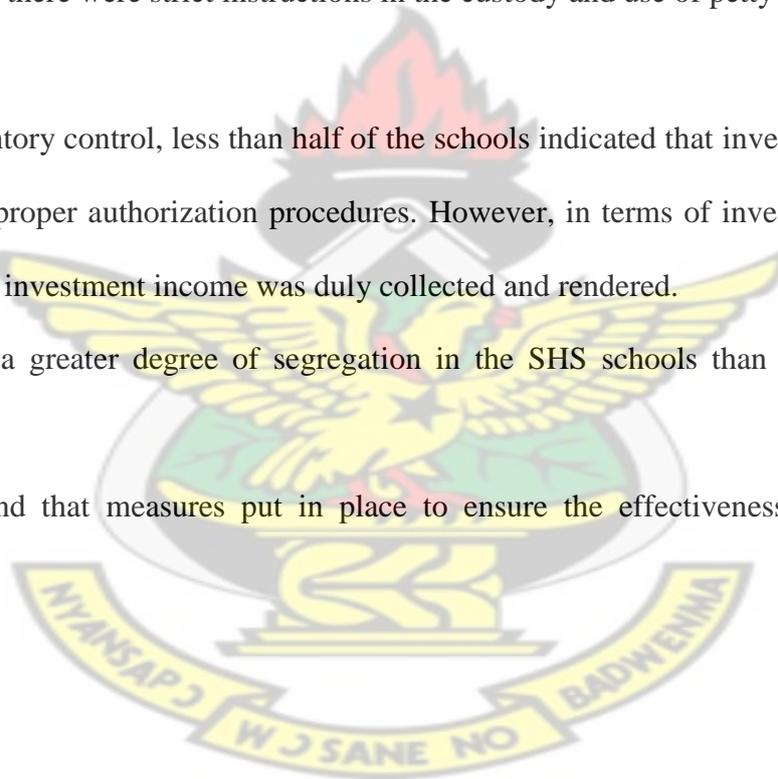
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It was found that there were strict instructions in the custody and use of petty cash.

In terms of inventory control, less than half of the schools indicated that inventory requisition were subject to proper authorization procedures. However, in terms of investment, majority indicated that all investment income was duly collected and rendered.

There was also a greater degree of segregation in the SHS schools than was in the JHS schools.

It was also found that measures put in place to ensure the effectiveness of the control practices



5.2 Conclusion

The Ghana Education Service has an adequate system of financial control in place which can protect the service and increase the confidence and trust of its stakeholders. The study can be concluded by these policy manuals are clear since it explains which tasks regarding asset control have to be performed

It contains guidelines for the staff responsible for those tasks as to what is expected of them.

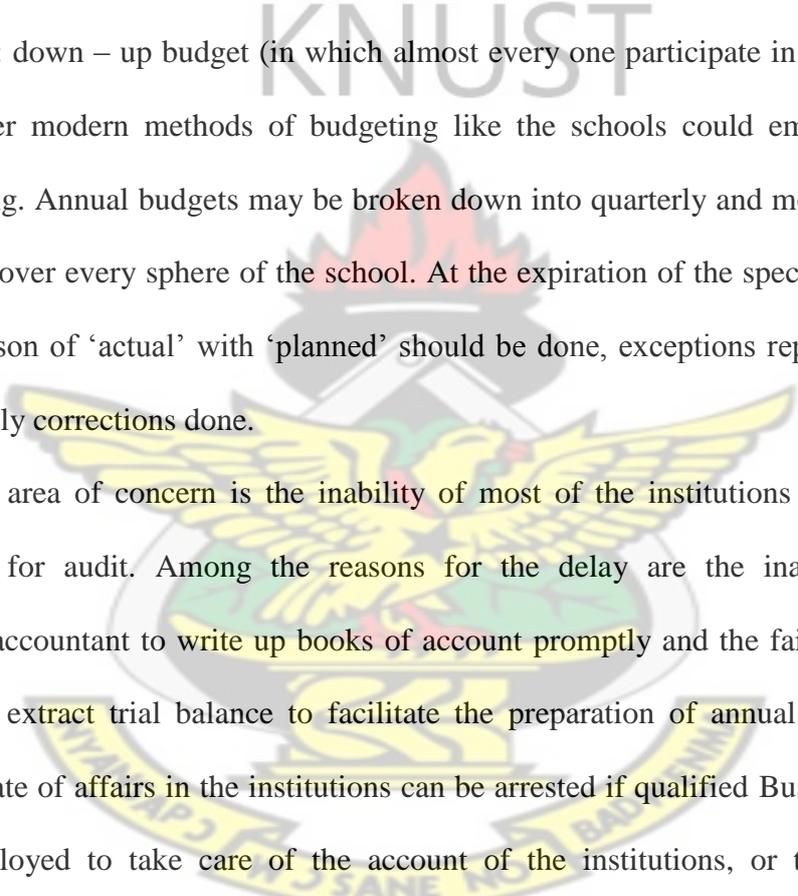
Apart from the revelation that they do not have a sound system of financial control, some participants expressed their feeling on internal controls over assets; those problems should be solved in order to add value to the activities of the GES officials in the district. Financial controls are in place. However, there are some staff, who does not know what is expected from them in order to achieve the objectives of the service.

The researcher made some conclusions based on the findings and made recommendations on challenges and personal attitudes identified in the interviewee. The Ghana Education Service should take cognizance of this research and do well to apply them since the recommendations will add value to their functions

5.3 Recommendations

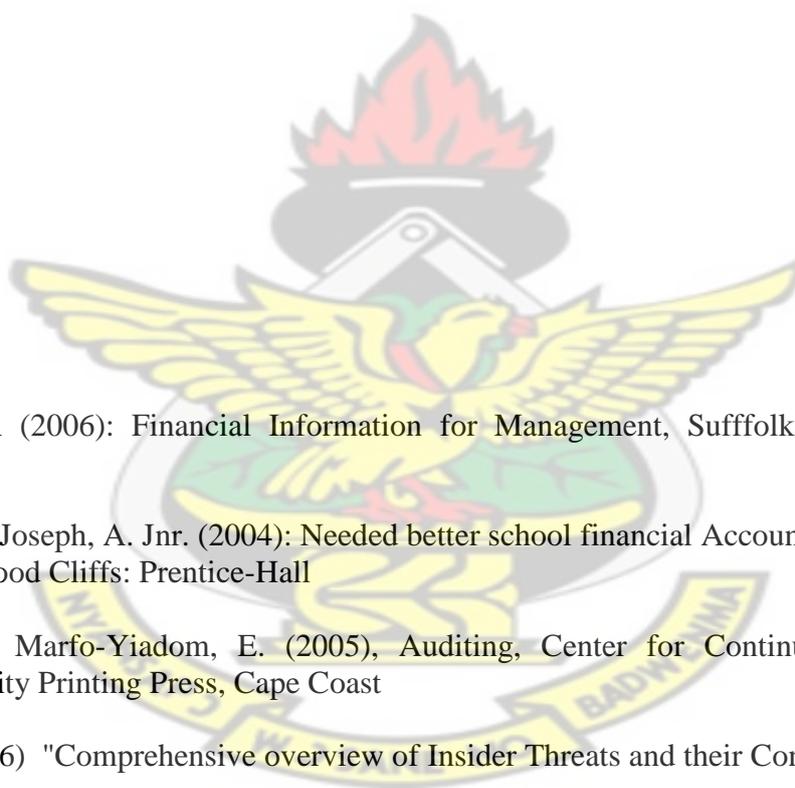
- i. It is recommended that Internal Audit Units / Department be established in individual first and second cycle institutions. This would go a long way to help ensure effective control over the financial dealings within the schools.
- ii. In addition, the Headmaster and head teachers of first and second cycle institutions should be given training in basic accounting knowledge to enhance their supervisory roles.
- iii. The Auditor – Generals reports continue to reveal that it takes a long time for any errors or irregularities or fraud to be detected. This is surely, partly due to the inability of the

internal audit unit to monitor the financial operations of most of the institution at regular intervals. Most of the time, before any irregularities or fraud could be detected; the perpetrators would have vacated their post or simply absconded. Thus if the said unit could be overhauled and adequately staffed, with the necessary facilities also in place, it would certainly make for considerable improvement in financial management in our educational institutions.

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- iv. Budgets: down – up budget (in which almost every one participate in its preparation) and other modern methods of budgeting like the schools could employ zero-base budgeting. Annual budgets may be broken down into quarterly and monthly ones and should cover every sphere of the school. At the expiration of the specified time limit, comparison of ‘actual’ with ‘planned’ should be done, exceptions reported promptly and timely corrections done.
- v. Another area of concern is the inability of most of the institutions to submit their account for audit. Among the reasons for the delay are the inability of some bursars/accountant to write up books of account promptly and the failure of most of them to extract trial balance to facilitate the preparation of annual accounts. This grave state of affairs in the institutions can be arrested if qualified Busars/Accountant are employed to take care of the account of the institutions, or the Ministry of education intensifies it’s on the job training for the present Accountants/ and Bursars.
- vi. Also, Heads of institutions must be made to ensure that monies are expended for the purpose for which they are appropriated and that expenditure is made as authorized. This can help to minimize the incidence of misappropriation of funds which is so commonplace in the institutions.

- vii. Furthermore, Heads of institutions who default in exercising adequate supervision over the work of Accountant/Bursars and other accounting personnel's should be held accountable for any consequent irregularities and weaknesses in the system.
- viii. The Auditor-Generals Reports continue to stress the need for the institutions to overhaul their machinery for the collection of fees which enhance effectiveness and efficiency. The institutions would do well if they go by these recommendations.

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APPENDIX

**INSTITUTE OF DISTANCE LEARNING
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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*Evaluation of the Financial Control Systems in the Ghana
Education Service (GES); a Case Study of Sekyere Central
District Schools*

Questionnaire

Demographic Characteristics

1. Gender
 1. Male [] 2. Female []
2. Age
 1. 25 – 35 [] 2. 36 – 45 [] 3. 46 – 55 []
3. Position
 1. Headmaster SHS [] 2. Accountant [] 3. Management staff [] 4. Account clerk [] 5. Head teacher JHS [] 6. Audit Staff []
4. Educational background:
 - SSCE/O'Level []
 - A' level/diploma []
 - Degree/higher []
5. Number of years served?
 1. 1 – 3 years [] 2. 4 – 9 years [] 3. 10 years and above []
6. Marital status
 - i. married []
 - ii. single []

Knowledge and Availability of Financial Control

7. Does your school apply any financial control in its finances?
 1. Yes [] 2. No [] 3. Don't Know []
8. what are the specific control being used by your school?

.....

.....

.....

School Budgeting and Financial Records and Reports

9. Does the school prepare a budget of income and expenditure?
 1. Yes [] 2. No [] 3. Don't Know []
10. Are the accounts submitted to an independent accountant at the end of the year?
 1. Yes [] 2. No [] 3. Don't Know []

11. Are the school accounts audited?

1. Yes [] 2. No [] 3. Don't Know []

12. Are the annual accounts approved by the board of governors/school management team?

1. Yes [] 2. No [] 3. Don't Know []

13. Are the accounts submitted to the Ghana Education Service?

1. Yes [] 2. No [] 3. Don't Know []

14. Do you keep all invoices, bank statements and all other documents for proper maintenance of financial records and reports?⁹

1. Yes [] 2. No [] 3. Don't Know []

15. What is the bookkeeping and accounting procedures in the school?

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

Banking Arrangements and other Income and Expenditure Controls

16. How many bank accounts does your school operate?

1. One [] 2. Two [] 3. Three []

17. How is the school's main current account managed in relation to all school income and

expenditure?.....

.....

...

18. How regular is bank account reconciliation done?

1. Monthly [] 2. Quarterly [] 3. Annually []

19. What is the procedure for making lodgements?

.....
.....

20. How many people are signatories to the school account?

1. One [] 2. Two [] 3 Three []

21. What is the procedure for signing cheques?

.....
.....

22. Do you attach any supporting document for signed cheques?

23. 1. Yes [] 2. No [] 3. Don't Know []

24. If yes, specify.....

Income Controls

25. Do you make appropriate recording of all income on receipt?

1. Yes [] 2. No [] 3. Don't Know []

26. How many people are involved in the income cycle (Segregation)?

1. One [] 2. Two [] 3. Three []

27. What is receipting arrangements in the school?

.....

Expenditure Controls

28. Are Cheques counter signed by any other person apart from the accountant or headmaster?

1. Yes [] 2. No [] 3. Don't Know []

29. Do you use of supporting documentation in all purchases

1. Yes [] 2. No [] 3. Don't Know []

30. What is the degree of segregation of duties

1. Highly segregated [] 2. Segregated [] 3. Not at all []

31. How do you manage Petty Cash system – recording and level of controls?

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

32. Are all payments supported by vouchers / receipts?

1. Yes [] 2. No [] 3. Don't Know []

33. Apart from the financial control, are there any other forms of control in your school?

1. Yes [] 2. No []

34. If yes,

specify.....

Effectiveness of the Control System

35. To what extent have the control systems been effective?

(a) Budgeting and Financial Records and Reports,

1. Very effective []

2. Effective []

3. Fairly effective []

4. Not effective []

(b) Banking Arrangements and other Income and Expenditure Controls.

1. Very effective []

2. Effective []

3. Fairly effective []

4. Not effective []

37. What are the constraints in the implementation of the control systems put in place?

.....
.....

38. What measures have been put in place to ensure the effectiveness of the financial control practices in your school?

.....
.....

