

**FINANCIAL MANAGEMENT PRACTICES OF SENIOR HIGH SCHOOLS  
IN THE TECHIMAN MUNICIPALITY**

BY  
KNUST

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## DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person, nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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## DEDICATION

I dedicate this work to my lovely parent Mr. & Mrs. Wilson and to my wonderful friend Rachel Asiamah Yeboah for their support, encouragement and prayers throughout this level of my education.

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I give Glory and honour to God Almighty for his goodness and mercies towards me and for guiding me throughout my education.

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## ABSTRACT

The study examined financial management practices of Senior High Schools (SHS) in Techiman municipality in the Brong Ahafo Region of Ghana. A convenient sampling technique was used to select the schools. Questionnaires and interview were used to collect data for the study. Two respondents from each of the three senior high schools were selected for the purposes of obtaining relevant information for the study. Descriptive statistics was used to analyse the responses obtained from the respondents. The findings of the study revealed that the procurement system of the schools is regulated by procurement board which is mandated to ensure that the procurement of goods and services within the schools follow laid down procedure. The study further found that the budgets of the schools represent the main financial planning framework around which incomes and expenditures are managed. The findings however revealed the major challenges confronting the effective financial management of the schools include late disbursement of funds by the central government and lack of financial management skill by headmasters to effectively manage the schools' finances. The study recommends among others that, school heads should be equipped with basic financial skills to enhance their capacity to effectively manage the finances of the schools they manage.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND TO THE STUDY**

In every economic structure, it is very necessary to have individuals or a group of people who are responsible for the authorization of use and management of finances throughout the entity. The success or failure of an entity that runs on funds depends heavily on how strong or weak its financial management tools are. It is for this reason that Ghana as a nation has established a department in charge of the management in public finances in the country known as the Controller and Accountant General department and the passing of financial Administration act 654(2003). In the same vein, schools and for that matter senior high schools need to adopt proper financial management practice to be able to run the day to day activities of the institutions.

Manners (1988) defined financial management as the “study of acquisition of and enhancing values and wealth”. He further explained that the financial management or corporate finance deals with proper acquisition of cash and the efficient allocation of that cash within the organization. Unfortunately, various sectors of public service are battling with generation and management of funds in Ghana.

Unlike public financial management issues, attention that is paid to the public expenditure outcomes have been less systematic in the recent past. There is a wealth of literature on public financial management system in Ghana, which contains a number of policy recommendations. The latter being now embraced by the government of Ghana which is implementing the Ghana integrated financial management and information system (GIFMIS), with a view to improving budget comprehensiveness

and consolidated management, monitoring and control of outstanding commitment and payroll management. The expectation is that these efforts will reduce aggregate and compositional budget deviations and to prevent the accumulation of arrears. In contrast, there is a large information gap on public expenditure outcomes. Indeed, the regular and comprehensive review of public expenditure from effectiveness, efficiency, equity and sustainability perspectives are lacking in Ghana (Joint Review of Public Expenditure and Financial Management, 2011).

The Government of Ghana has made a significant progress in strengthening fiscal discipline and improving the efficiency of its public financial management [PFM] system in recent years. Along with achieving macroeconomic stabilization, the Ghana Government has strengthened the legislative base, increased the transparency of budget information, improved control over expenditure and strengthened budget oversight [PFM Report No.36384, GH, 2006]. In April, 1983 the Government of Ghana initiated the Economic Recovery programmed (ERP) by the Provisional National Defence Council Government (PNDC) which sought to improve its financial management structural adjustment (S.A) but to no avail. Recognizing deficiencies in the public sector financial management, the government of Ghana with the assistance of the Canadian Development Agency (CIDA) introduced medium term programme known as public financial management reoffer programme (PUFMARP).

Financial Encumbrance (FE), Expenditure Authorisations, Drawing Limits and many more programmes have also been introduced by the government of Ghana to control financial management in public sector organization. These aim at improving efficiency, accountability and transparency in the public sector.

One of the sectors where these programs are implemented is the education sector. It must be emphasized that the presence of good education system is essential in meeting the new technological world. As a result, measures are put in place to provide good education system in Ghana. Education in Ghana has gone through tremendous transformation from government to government, all with the aim of improving education and making it accessible to all children of school going age. Some interventions the governments have put in place to achieve these aims include the Free Compulsory Universal basic Education (FCUBE), School Feeding Programme, and the establishment of Ghana Education trust Fund (GET Fund). Through the HIPC Fund, The government has been able to provide many infrastructure and facilities in the educational sector.

However, these objectives cannot be obtained where there is ineffective financial management. Educational sector is among the sectors in the country where there is financial mismanagement. The 1996 Auditor-General's Report for Pre-University Educational Institutions revealed findings relating to weak debts collection machinery, misappropriation, losses and irregularities similar to previous years. However, most of the public financial management reform programmes which aim at improving efficiency, accountability and transparency in public financial management pay little attention to the educational institutions. Due to the nature of their activities, they are usually ignored as one of the areas where there is improper management of financial resources.

There are many situations where finance of the schools are entrusted into the care of people who have little or no knowledge in financial accounting or any other financial related field especially at the junior and the senior high school levels leading to

mismanagement of funds. Most of the financial administration of the educational institutions is conducted haphazardly causing financial loss to the schools.

To ensure that there is efficient utilization of funds allocated to the institutions through Government Subventions, Donations and Internally Generated Funds (I.G.F), there is the need for Ghana Education Service (GES) to ensure proper financial management system for all educational levels. Cash management system as a component of the financial management system for instance will collect information on all cash receipts and disbursement within the educational set-up on real time bases.

Financial management system owes the responsibility of due care and diligence in the area of disbursement and utilization of financial resources to the institutions. This system is not only concern with disbursement and utilization of funds, but also in the controlling and management of school funds to accomplish the objectives for which it was allocated in the most effective and economic manner in order to avoid financial distress. Hence, the personnel entrusted with the administration of the schools has the responsibility of instituting best accounting and other financial management practices that will work in the best interest of their schools and to give the stakeholders and financiers value for their money. The researcher will find out how financial activities in the senior high schools are conducted in Ghana.

## **1.2 STATEMENT OF THE PROBLEMS**

The success of every organization depends on how funds are generated and managed efficiently and effectively. However in the case of public sector organization, their aim is to render service to the general public without making profit, unlike profit making organizations whose motive is to maximize profit and add-value to the owner's equity.

Various sectors of public service are battling with generation and management of funds and the education sector is no exception.

The education sector derives its source of fund through the national budget, internally generated fund and other donations. However, the sector faces a lot of challenges in generating funds. Government subvention are not received on time, students do not pay their fees on time due to financial difficulties. There is delay in the payment of P.T.A levies meant to support the provision of infrastructural facilities and nonpayment of motivation fees to better the condition of teachers and staffs.

Sometimes management of monies allocated for a specific project deviates and is used for different projects. Recently, some of the educational institutions had to appear before the Public Accounts Committee (PAC) to answer questions on financial misfeasance. All these are evidences of improper management of funds in the educational sector of which second cycle institutions are no exception. Indications also show that most pubic organizations such as senior high schools experience weak financial management controls as well as misappropriation of funds.

The study therefore takes a closer look at the financial management practices in senior high schools in the Techiman municipality to ascertain the way funds are managed in the educational sector at this level.

### **1.3 OBJECTIVE OF THE STUDY**

The main objective of the study is to assess financial management practices in the senior high schools with focus on senior high schools in Techiman municipality.

The specific objectives are;

1. To find out the procurement chain and the process of disbursement of funds in senior high schools.

2. To identify the major financial planning framework in senior high schools.
3. To probe into the internal audit systems in the senior high schools.
4. Investigate the challenges in the financial management of the senior high schools

#### **1.4 RESEARCH QUESTIONS**

The study was based on the following research questions:

1. What are the procurement chain and the process of disbursement of funds in senior high schools?
2. What is the major financial planning frame work in senior high schools?
3. How does the internal audit system work in the schools?
4. What are some of the challenges in financial management of the school?

#### **1.5 SIGNIFICANCE OF THE STUDY**

The study on the financial management practices of senior high schools in Ghana is to unearth current lapses and challenges in a bid to help improve the financial management systems of senior high schools in Ghana. The research also seeks to add a voice to what has been said concerning the public financial management practices in Ghana and provide a document that will serve as a basis for further research in this area.

Also, the result of the study may contribute significantly to the improvement of the way financial administration is undertaken in the selected senior high schools in particular and secondary schools across the country in general

The result obtained from the study will also help the education authorities in Ghana, especially the Ghana Education Service (GES) and the government to fashion out policies and programmes that will improve the financial management of schools across the country.

Finally, the study will seek to provide the basis for addressing challenges of financial management in the senior high schools.

## **1.6 LIMITATIONS**

The major limitation of the research has to do with lack of co-operation of the Headmasters and Accountants of the various schools who are the respondents of the various schools under the study. It was also envisaged that some respondents have hidden some vital information from the researcher just because they felt that their weaknesses are being exposed. Due to that, most of the respondents dismissed and refused to grant interview and to answer the questionnaires that were distributed but through perseverance and persistent visit they finally gave in.

## **1.7 ORGANIZATION OF THE CHAPTERS**

For proper presentation of the work, the project will be divided into five (5) chapters.

Chapter one will cover the introduction which talks about the background of the study, statement of the problem, objectives of the study, research questions, method of the study, significance of the study and limitations of the study.

Chapter two will deal with review of related Literature on the topic and this is broken down into appropriate sub-topics.

Chapter three will deal with the methodology the researcher employed which comprises of the research design for the study, population and sample as well as the instruments used in collecting the data and data analysis procedure.

Chapter four will look at the analysis and presentation of results of the study. This is done through the use of tables and figures, statistical presentation and discussion of results from the questionnaires and interviews and interpretation of the tables.

Finally, Chapter five will deal with summary, conclusions, recommendation and suggestions of the study.

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## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Financial literature suggests that optimal application and commitment towards financial management practices result in an increased performance of institutions. According to Hunjra, 2010, the financial well-managed companies are operationally efficient. This stands as a positive sign for investors and regulatory authorities. This chapter takes a critical look at both theoretical and empirical frameworks related to financial management in general and financial management in the senior high schools in particular.

#### **2.2 THE CONCEPTUAL FRAMEWORK OF THE STUDY**

The issue of financial management in the senior high schools has been over-looked by the stakeholders of the institutions. This is as a result of the fact that stakeholders turn to be more interested in the academic performance of the schools at the expense of their money which they have invested. The problems associated with financial management in the education sector has caught the attention of government, non- government organization, donors including educationalist not only in the delivery of service to people of Ghana but also develop effective directional policies that would guide the education sector in the medium and long term.

Financial management is carried out effectively and efficiently where sound measures are put in place for facilitating cash receipts, controlling disbursement and concentrating funds. Financial management is also carried to put measures in place to prevent and detect fraud and other irregularities.

The most critical aspect of financial management is the cash flows of the business, the business cycle of the company, where cash is generated from and where it will be expended. In critical situations, cash flow should be planned in extensive details in 12 weeks intervals. Specially, major sources of funds should be identified and forecasted with as much accuracy as possible. This should also take into consideration the exact timing of when the funds will be received or disbursed.

There are several principles that guide financial management practice both in the public and the private sector. For the purpose of this project, the researcher has reviewed only a handful of these principles that are beneficial to the study. Financial management brings together planning, budgeting, accounting, financial reporting, internal control including internal audit, procurement, disbursement of funds and the physical performance of the program, with the main aim of managing resources efficiently and achieving pre-determined objectives. Sound financial management is therefore a critical input for decision making and program success. Accurate and timely financial information provides a basis for better decisions about physical progress of the program, availability of funds, reducing delays and bottlenecks if noticed. The financial management system should produce timely, relevant and reliable financial information that would allow program managers and State/Central governments to plan and implement policies, programs, as well as to monitor compliance with agreed procedures and appraise progress towards its objectives.

Botha (2002) described education as a system of input-output. He explains that schools also provide input in the form of material resources as well as human resources which come together to deliver processes and activities. The processes and activities will lead to certain outputs which should be in tandem with the educational objectives of the

school. The author therefore posits that with better and adequate resources, the educational outcome is expected to be better. Though some studies such as Hanushek (1997) have found no direct link between the performance of students and school resources, other authors argue that effective education cannot take place without the necessary human and material resources.

Thus it can be observed that resources are essential for the delivery of quality education. Coleman et al. (1994) distinguishes between two main resources. These are financial resources and real resources. Financial resource constitutes the money available to procure real resources, while the latter constitutes the material and human resources which are required for the delivery of efficient education to students. Because real resources can only be procured with money resources, the management of finances resources in schools is of primary important in delivery quality educational services to students. This presupposes that, school heads, accountants and the state have the responsibility of protecting the funds generated by the schools for learning purposes. This implies that heads of schools, bursars, school accountants and departmental heads must be abreast with the management of the school's funds in order to ensure that the funds are used for the intended purposes

School heads, accountants and administrators are expected to perform the following functions for the effective delivery of quality education (Van Deventer and Kruger 2005; Nieman and Bennett 2002:101)

- Implement the school financial policies and regulations.
- Manage the school financial organisation, planning, leading and controlling of all educational activities in their schools in order to achieve the school's objectives.

- Develop educational goals, policies and strategies for the entire school from the broad, general strategies and policies of the Education Department and to translate them into specific goals and action plans.

### **2.3 DEFINITION OF FINANCIAL MANAGEMENT**

Finance consists of three interrelated areas. First, money and capital market, which deals with securities market and financial institutions; second, investment, which focuses on the decision made by both individual and institutional investors as they select securities for their investment portfolios and thirdly, financial management or business finance which involves decisions within the firm. Among these three, financial management is the broadest of all. Financial management is important in all types of businesses including banks, industrial and retail firms as well as government operations, from hospitals to schools to MDAs.

Pinches (1990) defined financial management as the acquisition, management, and financing of resources for the firms by means of money with due regards for prices in external economic markets. For Pinches, resources of a firm are general such as cash, inventory, people (employees), equipment and machinery. Money for these resources is from variety of sources such as borrowings, leasing, stock issue and internal cash flow generated by the firm. The firm's goal is to provide and manage these resources as efficiently as possible to balance needs against risk and returns. To pinches, apart from the chief finance officer, many others within the firm are also directly involved in making and carrying out financial decisions with consequences for the future wellbeing of the firm.

According to Van and Wachowisz (2005), financial management is concerned with the acquisition, financing and management of assets with some overall goals in mind.

Financial management is the act of identifying where to acquire long-term finance and how to manage everyday financial activities in the business environment. In simple terms, business finance is seen as the business function of planning, obtaining and managing the firm's funds to accomplish its objectives in the most effective possible way.

According to Pamela Peterson (1984) financial management is "the management of cash flow of a firm to make profit for its owners." She further explains that a firm may be a business enterprise such as manufacturing company, accounting firm, credit union, an oil production firm or a charitable organization.

Brigham and Gapenski (1985) in their definition stated that financial management involves the actual management of a firm and it is necessary in all sort of organisations which includes banks and charitable organisations. They also emphasized that financial management is concomitant to the economy.

According to Bradley (2009), financial management is the area of business management, devoted to a judicious use of capital and a careful selection of sources of capital in order to enable a spending unit to move in the direction of reaching its goals. This definition points to the four essential aspects of financial management, they are; Financial management is a distinct area of business management, Prudent or rational use of capital resources, Careful selection of the sources of capital and Goal achievement.

Manners (1988) also define financial management as the "study of acquisition of and enhancing values and wealth". He further explained that the financial management or

corporate finance deals with proper acquisition of cash and the efficient allocation of that cash within the organisation.

With respect to the above authorities, the researcher can also deduce that financial management is the management of cash and how monies allocated to various department of organisation are accounted for. This ensures that owners of the organisation get a true view of the operations and management of the business.

Though there are similarities in both manners and Pamela Peterson definition of financial management that is management and allocation of cash within the organization. The definition of Eugene Brigham and Louis Gapenskis deals with management of the general operations of the organisation. The researcher intends to consider Manners definition because it talks about acquisition of cash and its efficient allocation in the organization.

### **2.3.1 Functions of Financial Management**

The primary function of financial management is to explain how money should be received and the use of funds for its purpose. This was pointed out by Eugene F. Brigham and Louis C. Gapenski (1985). It was further explained that financial management should strategize the alternative decision of source of funds and to appropriately disturb funds to achieve the organisational goals. Some specific activities were mentioned to be fulfilled by a financial manager:

#### **a. Planning and forecasting**

This means that setting of organizational goals for each sub-division and the establishment of policies and standard method for implementation. The financial manager must interact with executives as they come together in planning and shaping the future position of the institution.

## **b. Coordinating and Control**

Coordinating is strictly the supervision and directing all affairs towards the achievement of the institutions primary objectives. That is harmonizing the activities of the various segments, units and department of the institution.

## **c. Major Investment and financial decisions**

On the basis of long- term plans, the aim of the financial management is to raise the needed funds to support the growth of an organization. For every institution to grow successfully, it requires high rate of investment, buildings and other assets.

According to Block and Hirt (2008), it is the responsibility of the financial manager to allocate funds to current and fixed assets to obtain the best mix of financing alternatives, and to develop an appropriate dividend policy within the context of the firm's objectives. These functions are performed on a day-to-day basis as well as through infrequent use of the capital market to acquire new funds. The daily activities of financial manager include credit management, inventory control, and the receipt and disbursement of funds. Less routine (occasional) functions encompass the sale (issue) of stocks and bonds and the establishment of capital budgeting and dividend plans.

According to them, all these functions are carried out while balancing the profitability and risk component of the firm. The appropriate risk-return trade off must be determined to maximize the market value of the firm (maximization of the shareholders' wealth) for its shareholders. The risk-return decision will influence not only the operational side of the business capital versus labour or product A versus product B) but also the financing mix (stock versus bond versus retained earnings).

People working in financial management makes decisions regarding which assets their firm should acquire, how those assets should be financed, and how the firm should manage its existing resources. If these responsibilities are performed optimally, this will help to maximize the value of the firm, and it will also contribute to the welfare of consumers and employees.

### **2.3.2 Importance of Financial Management**

The lifeblood of every business organization is finance. Each business entity must keep sufficient amount of finance in order to smoothly run the business and also maintain the business carefully to achieve the goal of the business concern. The goals of the business entity can be achieved only with the help of effective management of finance.

There are several importance of financial management in the business organization.

Some of the importance includes the follows: (Miles, Miles & Snow, 2009).

#### **Acquisition of Funds**

Financial management involves the acquisition of funds which the business concern needs for its operation. Acquisition of funds plays an integral part of the financial management which involves all possible sources of finance available to the business at minimum cost. Funds can be acquired internally or/and externally depending on the project with regard to the cost associated with that source. Financial management will be able to acquire the finance that will promote the business.

#### **Financial Planning**

Financial management helps in the identification of the financial requirement needed by the business concern and leads to the financial planning of the concern. Financial

planning is an important element of the business concern which helps in the promotion of an enterprise.

### **Proper Use of Funds**

Financial management is concern with proper use of funds to improve the operational efficiency of the business entity. When the finance manager is able to manage the expenditure of the business well and put the funds into proper use, it can reduce the cost of operation which tends to increase the value of the firm.

### **Improve profitability**

Profitability helps organization to continue to stay in business. The effectiveness and proper utilization of funds by the business concern will determine the extent at which it will make profit. The profitability position of the concern can be improve with the help of strong financial control devices such as budgetary control, strict auditing policy, ratio analysis and cost volume profit analysis etc.

### **Increase the Value of the Firm**

Financial management is very important in the field of increasing the wealth of the business concern. The ultimate aim of any business concern is to achieve the maximum profit and higher profitability which leads to the maximization the wealth of the shareholders and the nation.

### **Financial decision**

In an organization, there is a direct relationship that exists among the various departments such as production, marketing and personnel. Due to this relationship, financial decision affects the entire business operation of the concern positively or

negatively. Financial management therefore helps the entity to take sound financial decision in the business concern to have a positive impact.

## **2.4 THE ROLE OF BUDGET IN FINANCIAL MANAGEMENT**

According to Frederick, (2001) budget is perhaps the most chosen course of action or inaction by the management and staff across all sectors. Management at all level within the public, private and the third sector have used the budgets as their shield or excuse when confronted or challenged about any decision.

A budget is a key management tool for planning, monitoring and controlling the finances of a project or organization. It estimates the income and expenditures for a set period of time for your project or organization. (World Bank, 2010)

According to Rabin & Lynch, (1986) budget can serve a number of important purposes, including: Monitoring the income and expenditures over the course of a year (or a specific project time frame), helping to determine if adjustments need to be made in programs and goals, Forecasting income and expenses for projects, including the timing and the availability of income (such as additional grant funds) Providing a basis for accountability and transparency.

In line with the evolution of societies, budgeting processes underwent a number of changes both in terms of objectives and formats. Budgeting as it is applied today is a product of this evolution.

### **2.4.1 Characteristics of A Budget**

Gregory, (2005) points out some characteristic of a good budget. He explains that, a good budget is characterizes by the following factors: participation – this is a situation

where many people are involved as possible when drawing up a budget; comprehensiveness – this is where budget preparation embraces the whole business organization; standards – based it on its established standards of performance of the business; flexibility- this allows the budget preparation for changing circumstances; feedback – monitoring of performance of the business organization constantly; analysis of costs and revenues – both cost and revenue are analyzed in the preparation. This can be done on the basis of product line, departments or cost centers.

#### **2.4.2 The Budget Cycle**

In both the private and public sectors, the budget preparation is done by the budget committee of the organization with regard to the objectives of the organization. In the perspective of a company, the budget prepared is submitted to the chief executive officer or the board of directors for approval. When it is approved, it then becomes an executive order of the business for the period. At the national level, the national budget is approved by both Cabinet and the Legislature before it becomes operational. It would be easy to dismiss the budgeting process as beginning when the first budget is prepared, and as being complete when the master budget is finalized. In reality, the budgeting process begins for many organizations a long time before the budget period begins and the process ends once the budget period has ended. This means that budgeting process ends once the budget period has ended. This means that budgeting process is a very lengthy process. Typically, for a large organization, the budgeting phase can begin up to a year before the budget period starts.

Jones & Pendlebury, (2000) give some insight into the beginning of the budgeting cycle when they present a timetable for preparation of detailed revenue budget and capital programme for a local authority. They show that the process starts in June in the year

proceeding the budget period with the draft budget manual being sent to Finance Officers. This draft is then discussed with their departmental staff with a view to adoption or amendment. The budgetary planning phase is completed in March and made ready for an April discussion when the printed budget book is published and the approved estimates are put into the financial control system.

## **2.5 INTERNAL CONTROL OF SENIOR HIGH SCHOOLS**

The financial administration regulation (1979) section 125 explains internal controls as “the duty of head of department to ensure that financial management of the department is so organized that proper supervision is exercised over the work of subordinates”.

### **2.5.1 Estimates, Budgets and Budgets Control**

The total sum provided by the government and fees from students collected in the school and any other funds from external sources should be properly managed to meet the budgeted plans.

The headmaster , accountant –in-charge, the board of governors and other senior staff come together to compile such financial estimates on both revenue and capital accounts as may be needed from time to time by management of the school.

The accountant-in-charge would ask officers to provide their budget estimates, financial and other relevant information“s for compilation of the main budget estimates for the school.

### **2.5.2 Security over Cash, Cheques and Other Negotiable Instruments**

These are measures put in place in order to safeguard the use of cash, cheques and other negotiable instruments in the school.

All bank drafts received should bear the name of the student, class, amount paid, and the name of the school. The accountant should issue receipt to students after receiving the bank draft to indicate that they have paid such amount. The accountant –in-charge gives authority to the cashier to accept any other payment that is not done through the bank to ensure that there is proper accountability for such monies received.

### **2.5.3 Control of Bank Balances**

Signatories to the school account must be two people, the headmaster and the accountant-in-charge.

No account opened in the name of the school must be overdrawn.

Any drawings made by the school at the bank must be authorized and approved by the administrator.

All accounts must be opened in the name of the school with approval from the headmaster and the accountant.

The administrator must advise the bankers in writing of any alterations in the conditions of operating accounts that may be required by the financial regulations of the board of governors.

An account must be opened as the main account for the day to day operations of the school. A second account must be used for the receipts of government fund a third account for monies received from local and other partners abroad.

### **2.5.4 Internal Check**

The goal of financial management is to ensure efficiency, accountability and transparency in the public sector. All these cannot be achieve without the initiation of internal check in Senior High Schools. Internal checks are to facilitate the breakdown

of laid down procedures so as to avoid the inefficiencies and to establish a free flow of work, therefore reducing the possibility of fraud and errors.

Okai (1996) refers to internal check as the aspect of management which is exclusively concern with prevention and early detection of errors and possibility of fraud. It therefore involves the arrangement of book-keeping and other clerical duties in such a way as to ensure that;

One person work will be a check on another's (segregation of duties)

No single task is executed by only one person from the beginning to the end.

The work of each personnel engaged on a task is subjected to an independent check in the cause of another person's assignment.

### **2.5.5 Internal Audit**

Like internal check, internal audit ensures that frauds, embezzlement and errors are determined. In light of this, Okai (1996) defined internal audit as an independent appraisal activity within an organization for the view of operations as a service of management. The existence of internal audit function is a form of control in an organisation which provides assurance to management that the internal accounting controls are operating efficiently and reliable financial information is generated. It also provides assurance as to the effectiveness of management controls.

### **2.5.6 Prevention and Detection of Fraud in Schools**

The Headmasters/Headmistresses of the second Cycle institutions are in charge of the schools and the day to day administration of the schools academically, financially, and socially. The accountants on the other hand are the financial advisors to the heads and the schools. They record and prepare financial statements and also in charge of the

schools' funds and material resources. Hence the responsibility for the prevention and detection of fraud and embezzlement in the schools is the prime duty of the Heads. Apart from the normal internal controls instituted by every institution to safeguard its assets and ensure proper financial administration, the main financial controls system in the schools for the prevention and detection of fraud and embezzlement are:

- **Payment of fees by Bank draft:** bank draft is used to collect school fees from the students, and that way the money from the school fees are paid directly into the bank accounts of the schools without being paid to any person not even the Accountant or the Headmaster/Headmistress.
- **Segregation of duties:** no one person is allowed to carry out any financial transaction from the beginning to the end. For instance, purchases are made by the procurement board, authorization of expenditure by the Headmaster/Headmistress, the Headmaster/Headmistress and the Accountant being the signatories to the school accounts.

The schools and GES in general have charged the Heads of the Institutions as responsible spending officer, and to bring sanity to the financial administration of the schools. These measures include:

- The Heads see to the preparation of Annual estimates (budgets), and the rate of expenditure does not exceed far and faster than provided for in the estimates. It is also the responsibility of the Head to ensure that expenditure is incurred in accordance with the approved estimate as well as prompt payment and collection of debt owed by the school and for the school.

- Their supervisory role over the Accountants and the Accounts Clerks is by seeing to it that the proper accounts, books of accounts and records are kept quarterly and annually.
- Their final approval of any disbursement made after checking to verify whether it is justifiable and has been properly documented.
- Proper provision is made for the safe custody of assets, banking and investment of cash and safe custody of value books.

In addition to these, the GES has established its internal Audit Unit to strengthen and regularize the financial records of the schools at the District, Regional, and the National level. This internal audit unit of the GES serves as the Internal Audit Unit of the Second cycle Institutions in the country and they visit the schools to audit the schools financial activities. The Auditor General being the External Auditor for the schools have been empowered by Financial Administration Degree (FAD, 1979) to audit and submit to parliament annual report of the public accounts and public institutions under GES.

## **2.6 MANAGEMENT OF RECEIVABLES**

In other to prevent the embezzlement and misappropriation of fund and money received at the account office, monies taken by the cashier must be banked early to prevent the embezzlement.

Receipts should also be given to students, after payment of school fees and the amount paid recorded in the appropriate book of account to know the number of students who have paid and those owing the school.

## **2.7 EXPENDITURE MANAGEMENT**

The schools are improving on their management of expenditure and therefore for any expenditure to be occurred, it has to fall within the budget forecast. And if there is the

need for management to consider certain expenditure that may not fall within the budget estimated, it must be done by the use of virement.

### **2.7.1 Expenditure Areas of the Schools**

Second cycle institutions basically as service providers incur so many expenses in the areas of academic, domestic and administrative in the management of the schools. Some of these expenses are direct while others are indirect to the school administration. Some of the main areas of expenditure to the schools are:

#### **➤ Feeding**

This type of expenditure is peculiar to only senior high schools which have boarding facilities. This is the expenditure incurred by the schools to feed the students who are boarders. The boarders are fed on three-square meal a day. Therefore, the feeding expense is the highest of the cost components incurred by the schools and as such constitutes the main and the largest expenditure of such schools. As in most cases, 70% to 80% of the student population is made up of boarders.

#### **➤ Minor Repairs**

As most of assets/facilities of the schools are capital items in nature, there is the need to perform regular maintenance to ensure their fitness and their sustainability. Repairs of the schools' buildings, vehicles, laboratory equipment and other equipment and facilities are one of the areas where the schools spend much of its funds in order to maintain its equipment in good condition.

#### **➤ Emoluments and Other Allowance:**

Emolument as an expenditure of the schools is only pertaining to private institutions. Private schools in general pay remuneration to the people who have been employed by

the proprietor/owner to assist him/her manage his/her school. This includes salaries of teaching and non-teaching staffs and their social security fund. Apart from the government employees of the public schools, the school usually employs other casual workers such as security men; cook assistants, pantry men, and such casual employees are paid some allowance (wages) from the schools' funds.

➤ **Other Consumables:**

The schools buy some consumables which are used for both the administrative works and other official works. This expense includes the cost of office stationeries, teaching and learning materials and examination materials etc.

## **2.8 FINANCING THE EDUCATION SECTOR IN GHANA**

According to Amenyah (2009) financing the education sector has always been a thin issue for parents, policy makers and other stakeholders in the area of education. Whatever pertains in Ghana now with respect to education finance cannot serve Ghana as a modern state. The current system is basically fee free for all and in principles does not discriminate anyone with the basic standard for entry.

However it is estimated that over 20 multilateral and bilateral donors have been involved in Ghana education sector. This involvement has ranged from direct allocation of resources to the provision of technical service in the form of policy intervention and the supply of consultancy services and of late, direct budgetary support.

The principal development partners (DP.s) includes the World Bank, European Union, the Japan International Cooperation Agency (JICA), the Danish International Development Agency (DANIDA), U.K's Department for International Development,

United Nation Children's Fund (UNICEF) etc. are in partnership with the government of Ghana to provide financial support to the education sector of Ghana.

### **2.8.1 Sources of Revenue to Second Cycle Institutions**

Every institution whether profit or non-profit organization, government or nongovernmental agencies require money to achieve its objectives. So are the schools as a service provider and non-profit making organization. The ability and the success of the second cycle institutions to achieve their objectives of providing high quality education efficiently and effectively depends on the revenue available to the schools and how reliable and adequate the sources are. The main sources of revenue available to the second cycle institutions are:

#### **➤ Government of Ghana Funds (GoG)**

The government of Ghana is the main financier of second cycle institutions in Ghana, especially the public schools. Hence most of the funds required for the administration of the schools come from the government. GoG funds are the money (subventions) receives from the government to support the running of schools. This money is received quarterly as part of government commitment to ensure quality and affordable education to the citizenry. The Government of Ghana funds is made up of Administrative Grant, Scholarships and HIPC and GET Fund.

#### **➤ Internally Generated Fund (IGF)**

Although schools are not self-financing institutions, their quest of providing better services to their stakeholders, they generate revenue through their activities. Revenue generated internally mostly comes from school fees. Although second cycle institutions

do not pay tuition fees, but are made to pay for other expenses such as; boarding fee (Feeding fee), user fees, development fees etc..

➤ **Other Donations**

There are other revenue that the schools receive apart from GoG and IGF. These moneys usually come in as donor support for the schools. These donations come from, for instance old students associations, philanthropic societies, individuals, Parent Teacher Associations (PTA) etc.

## **2.9 ACCOUNTABILITY IN EDUCATION SECTOR**

Accountability is the cornerstone of all financial reporting in government sector. Answers are required from the government to the citizenry to justify the raising of public resource and the purpose for which they are used. For the purpose of decision making, public sector accounting should provide useful information that will:

- Assist in evaluating efficiency and effectiveness in public sector.
- Access financial condition and results of operation.
- Help users to access whether current revenue is sufficient to pay the service provided that year and whether future taxpayers will be required to assume burdens for service offered previously.

In Ghana, heads of accounts department or the chief accountant submits revenue returns on monthly basis through the Chief Administrator, Regional Director of Education Service to the Ministry of Education with copies to the Controller and Accountant General and Internal Audit of the education sector. The Minister of

Education is also required from time to time to appear before Parliament or Public Accounts Committee of Parliament to answer questions on performance of the education sector in general.

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## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

Methodology is a body of knowledge that enables researchers to explain and analyze methods, indicating their limitations and sources, identifying their presuppositions and consequences, and related their potentialities to research advances {(Miller, 1983) cited in (Linpanitgul, 2009)}. This chapter explains into details the method used in gathering data and information required for the study in obtaining data for this project which is centered on financial management in Senior High Schools. The topic covers the research design, target population, sample size, instrument used to collect data.

#### **3.2 RESEARCH DESIGN**

The design is the structure of any work which gives direction and systematic approach of the research. The method chosen will affect the result and how the findings would be conducted. The research design typically includes how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing the data collected. A research design is a plan or blueprint that specifies how data relating to a given problem should be collected and analyzed (Amedahe, 2002). Research design may be perceived from five perspectives; Research Purpose, Philosophy, Approach, Design, and Time horizon (Saunders et al., 2009). The research purpose of this study is both descriptive and explanatory (Saunders et al., 2000, Cooper and Schindler). It is descriptive because it investigates the situation of financial management in senior high schools, the perception of the staff about financial management practices in Ghana. It is also explanatory because it seeks to

discover and establish the relationship between variables (Malhotra & Birks 2007). The research philosophy is positivism. Positivism is the theory that knowledge can be acquired only through direct observation and experimentation and not through metaphysics or theology phenomenology". The research approach is deductive instead of inductive since it begins with theory, hypotheses and a strategy is developed to test them. The research strategy which is general plan and how to answer the research questions could be action research, ethnographic studies, experiment, case study or grounded theory (Saunders et al., 2000; Cooper & Schinder 2006; Malhotra & birks 2007). This study is a survey since it seeks the opinion of a population about a specific subject matter (financial management in the senior high schools) and it combines the use of qualitative and quantitative techniques by way of questionnaires and interview guide. The time horizon of the research makes it a cross sectional study instead of longitudinal since data is collected from a cross section of the population once and not for different periods of time.

Specifically, data were collected through two main sources, primary source and secondary source. Interviews and questionnaires were used as primary source while a financial report, budget statement financial reports serves as the secondary source of information. This method has been adopted because it will help the researcher arrive at a meaningful conclusion.

### **3.3 POPULATION**

Basically, Population refers to the universe of units from which the sample is to be selected (Ofori & Dampson, 2011). The target population for the study comprises of all the senior high schools in Ghana. This population entails the headmasters/ headmistresses, and principal Accountants/accounts office staff.

### **3.4 SAMPLING TECHNIQUE AND SIZE**

A research sample according to Ofori & Dampson (2011) is the segment of the population that is selected for investigation. Financial constraints affected the size and scope of the study and therefore only selected schools in the Brong-Ahafo Region were included in the study. The researcher conveniently selected schools that could offer the necessary information for the successful execution of the project.

Two (2) respondents were selected for the study from three senior high schools in the Techiman municipality. The schools included; Techiman senior high, Akumfi Ameyaw senior high and Tuobodom senior high schools. The respondents were the Principal Accountants (Bursars) and the headmasters of the various schools who are key informants. Since they are the handlers of the schools finances, they were in the position of providing the data needed for the study.

### **3.5 INSTRUMENTS USED TO COLLECT DATA**

Both primary and secondary data were used. Primary data consist of interview and questionnaire while secondary data were field observation, library research and examination of documents.

#### **3.5.1 Interviews**

By face to face interaction with a cross-section of the target population, the researcher was able to obtain data from the target population, since some of the staff could not get enough time to answer questionnaires on paper.

#### **3.5.2 Questionnaires**

As part of data collection procedures, structured questionnaires were administered personally by the researcher to ensure that relevant information was obtained. Open questions required in-depth explanation from the respondents while closed question

required specific response. In this research, both opened and closed questions were used.

All statements favoring the subject under consideration were scored as follows: Strongly agree=5 Agree =4 Neutral =3 Disagree =2 Strongly Disagree=1 For statements opposing the point of view, the items were scored in the opposed order as follows: Strongly agree=1 Agree =2 Neutral =3 Disagree =4 Strongly Disagree=5

### **3.5.3 Field Observation**

In order to get more knowledge into financial management at the school, frequent visit were made to the school and data was recorded frequently. The researcher was able to obtain information on what actually happened on the field.

### **3.5.4 Library Research**

References were also made from major text books and various existing project works. The researcher borrowed some knowledge from what intellectuals have failed to add.

### **3.5.5 Examination of Documents**

To obtain the best information of financial management in the Senior High School, the researcher had the chance to study some documents containing financial reports, budget statement, receipts and other important books of account.

## **3.6 VALIDITY AND RELIABILITY**

Reliability is the extent to which a test or instrument would produce similar measurements, given similar conditions while validity is the extent to which a test, scale or instrument measures what is intended to measure or assess (Ofori & Dampson, 2011).

The interview guide and the questionnaire were rehearsed first and pre-tested with colleagues and friends to correct spelling and grammatical mistakes, check for question

wording and eliminate ambiguities. Again, the people from whom data were collected represented true members.

From the personal observation of the researcher, it could be conveniently said that the data for the study is valid and hence reliable for any future work on financial management in second cycle institutions.

### 3.7 DATA ANALYSIS

Data analysis procedure was arranged in this order of activities: data assembly, data reduction and transformation (thorough editing, cleaning, and coding), data transcribing or entry, data weighting and data presentation. The aim of the Data analysis was to provide sound basis for discussion and reporting of findings in a systematic, logical and summarized manner by the use of Statistical Package for Social Scientist (SPSS). It involved a presentation of data to answer research questions for the study. The question items were rated using a five-point likert-scale response items. Simple descriptive analysis using frequencies, percentages, means and standard deviations were also employed. The qualitative data collected through the interview guide were transcribed, organized into themes and sub-themes in an ongoing process as they emerged from data. The procedure for the analysis of each of the four specific objectives is summarized in Table 3.1.

**Table 3.1 Summary of Data analysis techniques**

Research Objective	Type of Data	Analysis Technique
To find out the procurement chain and the process of disbursement of funds in senior high schools	Interview data	Transcription and presentation of result

To identify the major financial planning frame work in senior high schools	Interview data	Transcription and presentation of result
To probe into the internal audit systems in the senior high schools	Questionnaire data	Descriptive analysis (Mean and Standard deviation)
Investigate the challenges in the financial management of the senior high schools	Questionnaire data	Descriptive analysis (Mean and Standard deviation)

Source: Researcher's own construct

### 3.8 ETHICAL CONSIDERATIONS

In the view of Zikmund (2000) ethics in business research involves the code of behaviour governing the conduct of the researcher's activities. A number of steps were taken by the researcher to ensure that proper ethical conduct is followed throughout the study.

First, the researcher ensured that there is informed consent and voluntary participation. Confirmation was sought from the schools involved as well as the respondents who provided the required data. A letter was sent to seek permission to undertake the study

Second, the researcher ensured that the privacy, confidentiality and anonymity of respondents were respected. All respondents were assured that the information provided will be kept private and will only be used for academic purposes. The research results were indeed presented in an anonymous way and no participant or school is therefore identifiable from this report

Finally, the researcher tried as much as possible to remain honest, respectful and sympathetic towards all the participants

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## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.1 INTRODUCTION**

In chapter three of this study, the methodology and sources of data were discussed. This chapter presents the analysis of data, presentation and discussion of the result.

The study's general objective is to assess the financial management practices of senior secondary schools in Ghana, using schools in the Tachiman Municipality as a case study. Out of this general objective, four specific objectives were derived. The first objective examined was the procurement chain and the process of disbursement of funds in senior high schools. The second specific objective analysed was the major financial planning framework in the selected senior high schools. The third objective investigated was the internal audit system currently in place at the selected senior high schools. The fourth objective was the challenges associated with financial management within the selected senior high schools.

#### **4.2 BACKGROUND OF THE RESPONDENTS**

As explained in previous sections, three secondary schools were selected for the purposes of obtaining information for the study. These schools included: Techiman senior high, Akumfi Ameyaw senior high and Tuobodom senior high schools, all in the Brong Ahafo Region of Ghana. From each of the secondary schools, two (2) respondents: bursars and headmasters were interviewed. These individuals were selected because of their knowledge in the financial administration of the schools. They were served with structured questionnaires which formed the basis of the analysis. In addition, interview was conducted among some of the headmasters to gain indebt

understanding of how the financial administrations of the schools are conducted. In addition to the primary data collected from the schools, secondary data in the form of financials records of the schools were collected to complement the primary data obtained.

### **4.3 ANALYSIS OF DATA**

This section presents the analysis of the data collected from the field. For the purposes of clarity of presentation, the analysis is conducted along these specific objectives.

#### **4.3.1 Analysis of the procurement chain and the process of disbursement of funds within the selected senior high schools**

The first objective of the study examined the procurement practices of the selected schools and the processes associated with the disbursement of funds. The objective was achieved through an interview with the key stakeholders in the selected senior high schools.

##### **Procurement Chain**

It was revealed through the interview process that all the senior high schools selected have procurement board responsible for the procurement within the schools. The interview discovered that since the secondary schools fall under public institutions in Ghana, the procurement board of the selected schools follows Ghana's public procurement programme. The main aim of the introduction of this law is to improve Public financial management and assist in generating budgetary savings. The main function of the procurement board is to undertake, among other things is to streamline the system of procurement for goods, works and services within the institutions. This, they explained in line with the procurement law of Ghana which seeks to harmonize local and international laws regarding procurement; foster competition, make efficient

use of national resources, ensure transparency and accountability and provide value for money (Ministry of Finance, 2009).The procurement board ensures that the procurement methods adopted lends itself for competition in order to obtain the best tenders.

### **Process of Disbursement of Funds**

The study discovered that two main sources of funds are available for disbursement by the schools. These are government of Ghana subventions that is released quarterly, and revenues from school fees collected from students at the beginning of every term. In addition to these main sources of funds, other sources such as financial support from parents and old students are received. These funds are recorded and deposited into the accounts of the schools and are utilized as and when the need arises.

The disbursement of the funds, according to the respondents, is done based on laid down procedure. Interestingly, it was discovered that all the schools follow similar procedure for the disbursement of the funds. The board of the school needs to give approval for the disbursement of funds for specific purposes. Once the approval is given, the headmaster and bursar/accountant of the school, who are signatories to the account must sign for the withdrawal of funds. This procedure has been instituted to ensure that neither the accountant nor the school head can withdraw money without the other's consent.

The amount withdrawn is then forwarded to the department that has received approval for the funds.

#### **4.3.2 Financial Planning Framework of the selected institutions**

Private and public firms take financial management decisions with the view of attaining set corporate targets. The main objective of financial management, according to Watson and Head (2004) is to improve the financial administration of the organisations and thereby maximize the wealth of shareholders. Against this backdrop, the researcher sought to examine the financial management framework of the selected senior high schools. This objective was achieved by soliciting the views of bursars, headmasters and school administrators of the selected institutions. The researcher first sought to find out whether there is a financial management framework that guides the financial administration of the institutions. The responses points to a unanimous agreement that there is a financial management framework that guides the day to day financial administration of the schools. According to majority of the respondents, the main objective for the financial management framework is to improve financial administration in the schools to ensure that funds meant for developmental purposes are channeled to such developmental projects.

However, the interview revealed that the financial management framework does not differ significantly from one school to the other. Based on these similarities, the researcher presented the general framework common to all the schools selected.

##### **Budgeting**

Though financial management frameworks consist of a number of policies, the budget is the main framework around which the schools operate their financial policies. The budget comprises or shows the income and expenditure for the school within a specific period.

The result of the interview revealed that the most important school financial planning and control measures is to draw up the school budget, which is generally expressed in monetary terms and reflects activities of the school for a particular period in the future. The school budget is therefore the management tool by which the school management team and the school governing body estimates, plans, utilizes, coordinates, monitors and evaluates the allocated school financial resources. Thus, the financial planning framework of the schools is anchored on the budget prepared by the schools at the beginning of each academic year. The responses indicate that the main revenue for the schools come from government subventions and fees and charges from students. In some instances, the schools also receive some form of external support from parents, old students associations and other philanthropic organisations.

To ensure that the funds are judiciously managed, the responses obtained indicate that the headmaster, accountant –in-charge, the board of governors and other senior staff come together to compile such financial estimates on both revenue and capital accounts as may be needed from time to time by management of the school. The accountant-in-charge would ask officers to provide their budget estimates, financial and other relevant information's for compilation of the main budget estimates for the school.

The interview revealed that the budget is drawn based on the following

- The budget of the school constitutes estimates of income and expenditure for educational purposes.
- The estimated expenditure is not expected to exceed the expected revenue (income) for that same period.
- Preferences are often given to expenditures that are directly linked to the provision of education to students. Usually, expenditure on activities such as

sports, recreation and culture are considered only after other important expenditures are taken care of

According to the interviewees, the preparation of the budget ensures that funds are not misappropriated but are used for their intended purposes. They also indicated that the budget allows the schools to determine the total amount of revenue and expenditures for a given academic year. This finding is in support of the work of Rabin & Lynch. According to Rabin & Lynch, (1986) budget can serve a number of important purposes, including: **Monitoring** the income and expenditures over the course of a year (or a specific project time frame), helping to determine if adjustments need to be made in programs and goals, Forecasting income and expenses for projects, including the timing and the availability of income (such as additional grant funds) Providing a basis for accountability and transparency.

### **Checks and Balances**

The addition to the budget which serves as a blueprint for the financial planning of the institutions, other checks and balances have been built into the financial management planning framework of the schools. The researcher however sought to examine the extent to which these checks and balances are effectively followed. The statements were put on a five point likert scale with 5 indicating strong agreement and 1, indicating strong disagreement. The mean and standard deviation of the response are computed and summarized in Table 4.1

**Table 4.1 Descriptive Statistics of the checks and balances guiding the financial planning framework of the selected Senior High Schools**

<b>Statement</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>S.Dev</b>
Proper accounting records on cash received	1	5	4.211	0.697

Regular deposit of cash received	1	5	3.981	1.245
Periodic account reconciliation with student records	1	5	3.547	0.897
Records on all disbursements	1	5	4.211	0.894
Periodic account reconciliation with the bank statement	1	5	3.455	1.254
Daily statement from bank on students payments	1	5	3.145	1.024
Accounts department is in charge of all monetary transactions	1	5	4.151	0.478
There is an effective and efficient finance committee	1	5	4.321	0.478
There is proper technology (ICT) for processing all records	1	5	2.042	1.458
All department budgets are properly scrutinized	1	5	3.874	0.784
All purchases are done by the procurement unit and documented	1	5	4.343	0.451
The school opens all contracts for bidding	1	5	3.214	1.451
Government grants are well channeled	1	5	3.478	0.784

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Source: Analysis of Field Data, June 2015

Table 4.1 provides the summary of the checks and balances governing the financial management of the selected institutions. Since effective financial management framework deals with record keeping, one of the statements sought to examine whether there is proper accounting records within the institution. The mean value of 4.211 and a corresponding standard deviation of 0.697 shows that respondents unanimously agree that there is proper accounting record of cash received from students and from government subventions. The result as presented in Table 4.1 further shows that respondents agree that all disbursement is properly recorded.

### **Accountability within the financial Planning Framework**

In addition to these checks and balances, other measures are also put in place to improve accountability within the financial management of the schools.

First, signatories to the school account must comprise of two persons, the headmaster and the accountant-in-charge. Second, no account opened in the name of the school must be overdrawn. Any drawings made by the school at the bank must be authorized and approved by the administrator. Third, all accounts must be opened in the name of the school with approval from the headmaster and the accountant. The administrator must advise the bankers in writing of any alterations in the conditions of operating accounts that may be required by the financial regulations of the board of governors. All these measures are to ensure that the financial management framework is strong enough to deal with any form of financial irregularities. It therefore confirms Okai (1996) that stated that one person work will be a check on another's, no single task is executed by only one person from the beginning to the end as well as the work of each personnel engaged on a task is subjected to an independent check in the cause of another person's assignment.

**4.3.3. An analysis of the internal audit systems in the senior high schools.** The interview with the respondents revealed that the schools have an internal auditing system in place to audit the financial records. This is an independent appraisal process embedded in the financial management system to evaluate the financial activities of the school. According to the respondents, the objective of the internal audit system is to assist the school heads in implementing the financial responsibility effectively.

Auditing is one of the main tools employed to ensure that there is effective and efficient financial management system in an organisation. Auditing also ensures that financial administrators work within the confines of financial rules and regulation. In view of this, the third objective of this study examined the internal audit system in the selected senior high schools. The researcher sought to find out how often are the accounts of

the schools audited. Majority of the respondents (65%) stated that the accounts are audited yearly while the remaining 35% stated that they are audited semi-annually. It was further revealed that the auditing is mainly done by district and internal auditors

To ascertain the internal audit system of the schools, 12 statements were used to examine how the internal audit system is faring. Respondents were asked to rank the statements using a five point likert scale. Strong agreement to the statements is indicated by 5 while strong disagreement to the statements were indicated by 1. The mean and standard deviation of these responses are estimated and presented in Table

4.2.

**Table 4.2 Descriptive Statistics of internal audit system of the schools**

<b>VARIABLES</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>St.dev</b>
Auditors normally check for documents	1	5	4.321	0.987
Auditors always check for physical verification	2	5	3.014	0.871
Auditors always cross check with major suppliers	1	5	2.012	1.024
Staff payments/remunerations are always audited	2	5	3.598	1.369
Auditors work is in-depth enough	1	5	3.215	1.541
Auditors recommendations are implemented	2	5	3.598	0.987
Auditors make follow up checks	1	5	2.154	0.547
Auditors are normally motivated/influenced by account section	1	5	2.014	0.897
Auditors' motivation influences their independency	1	5	3.021	1.236
Auditors are easily influenced by money	1	5	2.014	0.54
I will prefer independent/private audit firms to governments	1	5	4.156	0.698

Auditing must be done by two or more firms for checks	1	5	3.021	0.589
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Source: Analysis of field Data, June 2015

The result as presented in Table 4.2 clearly shows that respondents agree that auditors check for financial documents covering receipt and payment of goods and services. However, respondents neither agree nor disagree that auditors check for physical verification (Mean=3.014; SD=0.871). The result also shows that auditors do not check for major suppliers to authenticate the documents submitted by the schools (Mean=3.014; SD=0.871).

#### **4.3.4. Analysis of the challenges in the financial management of the senior high schools**

Though financial management aims to improve financial administration and enhance value for money, it is fraught with a number of challenges. Against this background, the researcher sought to examine the main challenges affecting the financial management of the selected institutions.

First, the interview revealed that one major challenge militating against the financial management of the selected schools is the lack of financial skills of the head teachers. Increasing responsibility is placed on the shoulders of head teachers and individuals who have little or no skills in financial management. Majority of the respondents cited this as a major challenge affecting the financial management of the schools.

The second major challenge identified is the lack of independence by the schools to effectively implement their own financial management program. The interview with the heads of the school discovered that the central government has a great influence on the way the schools collect and manage their revenues. For instance, attempts by the school

to enforce prompt payment of school fees by students are sometimes influenced by the central government and the educational authority.

Third, almost all the respondents agreed that the government subvention which forms a major part of the school's revenue is not remitted on schedule which sometimes throws the entire budget out of gear. According to the respondents the delays influence the effective implementation of the schools financial management plan.

The findings also show that the budget is mainly on paper but its actual implementation is a challenge due to factors such as late receipt of funds from the government as well as late payment of school fees by students. The finding with regards to the challenges associated with the financial management of the selected schools is in agreement with the findings of Deventer & Kruger 2005 and Nieman and Bennett 2002 who found that the main challenges affecting financial management in educational institutions lack of independence in taking financial decisions, inadequate financial skills on the part of school administrators and external influence from the central government.

The various responses regarding the challenges associated with financial management practices in the senior high schools are presented in table 4.3.

**Table 4.3 Challenges Associated with financial management in the selected SHS**

Challenges	Classification	Percent (%)
------------	----------------	-------------

Late Receipt of Government subvention	Major	100
	Moderate	0.0
	Minor	0.0
Non-payment of Schools fees by students	Major	90.0
	Moderate	10.0
	Minor	0.00
Lack of independence to implement financial management framework	Major	90.0
	Moderate	10.0
	Minor	0.0
Lack of knowledge of financial management of schools	Major	10.0
	Moderate	10.0
	Minor	50.0
Non-Implementation of the Budget	Major	40.0
	Moderate	10.0
	Minor	

Source: Field Data, 2015

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

In chapter four of this study, the data collected from the field was subjected to analyses and interpretation. This chapter provides a summary of the key findings obtained from the analysis. The chapter also examines the conclusion of the study as well as recommendations for key stakeholders in the education sector.

#### 5.2 SUMMARY OF FINDINGS

The study examined the financial management practices of selected Senior High Schools (SHS) in Ghana, using three selected SHS in the Techiman municipality,

Brong Ahafo Region as case study institutions. The study had four specific objectives. It first examined the procurement and disbursement of funds within the selected senior high schools. The second specific objective determined the major financial management framework of the selected institutions. The third investigated the effectiveness of internal auditing in the schools. Finally, the fourth objective examined the main challenges confronting the financial management of the selected schools.

The findings revealed that the schools have procurements board or committee mandated to oversee the procurement of goods and services for the schools. It was further revealed that the procurement procedure of these schools is in tandem with the public procurement system in Ghana. The findings further revealed that the main sources of funds for the schools include school fees and charges, government subventions, financial support from old students and parents, as well as support from philanthropic organisations. These funds are disbursed for procurement purposes through the procurement board of the schools.

The study further found that school budget is the most important school financial planning and control measure used to manage the funds of the schools. The school budget appears to be the management tool by which the school management team and the school governing body estimate, plan, utilize, coordinate monitor and evaluate the allocated school financial resources.

The study further established that various checks and balances ensure that financial irregularities are minimized. First, signatories to the school account must consist and comprise of two persons, the headmaster and the accountant-in-charge. Second, no account opened in the name of the school must be overdrawn. Any drawings made by the school at the bank must be authorized and approved by the administrator. Third, all

accounts must be opened in the name of the school with approval from the headmaster and the accountant. The administrator must advise the bankers in writing of any alterations in the conditions of operating accounts that may be required by the financial

The interview with the respondents revealed that the schools have an internal auditing system in place to audit the financial records. This is an independent appraisal process embedded in the financial management system to evaluate the financial activities of the school. According to the respondents, the objective of the internal audit system is to assist the school heads in implementing their financial responsibility effectively.

Also, the findings revealed that a major challenge militating against the financial management of the selected schools is the lack of financial skills of the headmasters.

Increasing responsibility is placed on the shoulders of headmasters and individuals who have little or no skills in financial management.

Again, the findings showed that almost all the respondents agreed that the government subvention which forms a major part of the school's revenue is not remitted on schedule which sometimes throws the entire budget out of gear.

The findings also showed that the budget is mainly on paper but its actual implementation is a challenge due to factors such as late receipt of funds from the government as well as late payment of school fees by students

### **5.3 CONCLUSION**

The study examined financial management practices of Senior High Schools (SHS) in Techiman municipality in the Brong Ahafo Region of Ghana. A convenient sampling technique was used to select the schools. Questionnaires were used to collect data for the study. Two respondents from each of the secondary schools were selected for the

purposes of obtaining relevant information for the study. Descriptive statistics was used to analyse the responses obtained from the respondents. The findings of the study revealed that the procurement system of the schools is regulated by procurement board which is mandated to ensure that the procurement of goods and services within the schools follow laid down procedure. The study further found that the budgets of the schools represent the main financial planning framework around which incomes and expenditures are managed. The findings however revealed the major challenges confronting the effective financial management of the schools include late disbursement of funds by the central government and lack of financial management skill by head teachers to effectively manage the schools' finances.

Though the study generally finds that the financial management practices of the schools are effective, a cursory look at the financial management framework indicate that a lot needs to be done to improve the financial management of SHS in Ghana. Though respondents generally give a positive opinion about its implementation, a careful observation of the financial structure of the schools shows that there are a number of loopholes that can be exploited by the financial managers of the schools. It is therefore important for the Ghana Education Service (GES) to develop a financial management framework that will make it difficult for schools to mismanage their finances

#### **5.4 RECOMMENDATIONS**

Based on the objective of the study, a number of findings were derived. In this section the researcher makes a number of recommendations based on these findings.

First, it was discovered from the analysis that schools heads lack the experience to effectively execute financial management of the schools. The study therefore

recommends that school heads, accountants/bursars should be trained to understand financial management in their respective schools. Also, the school heads must seek avenues to improve their financial management competence.

Second, the study recommends that government should disburse their subventions to the schools without delays, this will go a long way to ensure that that the financial plan of the schools are followed to improve teaching and learning.

Finally, the study recommends that future studies should cover majority of secondary schools in Ghana. This will help to generalize the findings to cover all schools in Ghana. Due to the small sample size, it is difficult to generalize the findings to cover all schools in Ghana.

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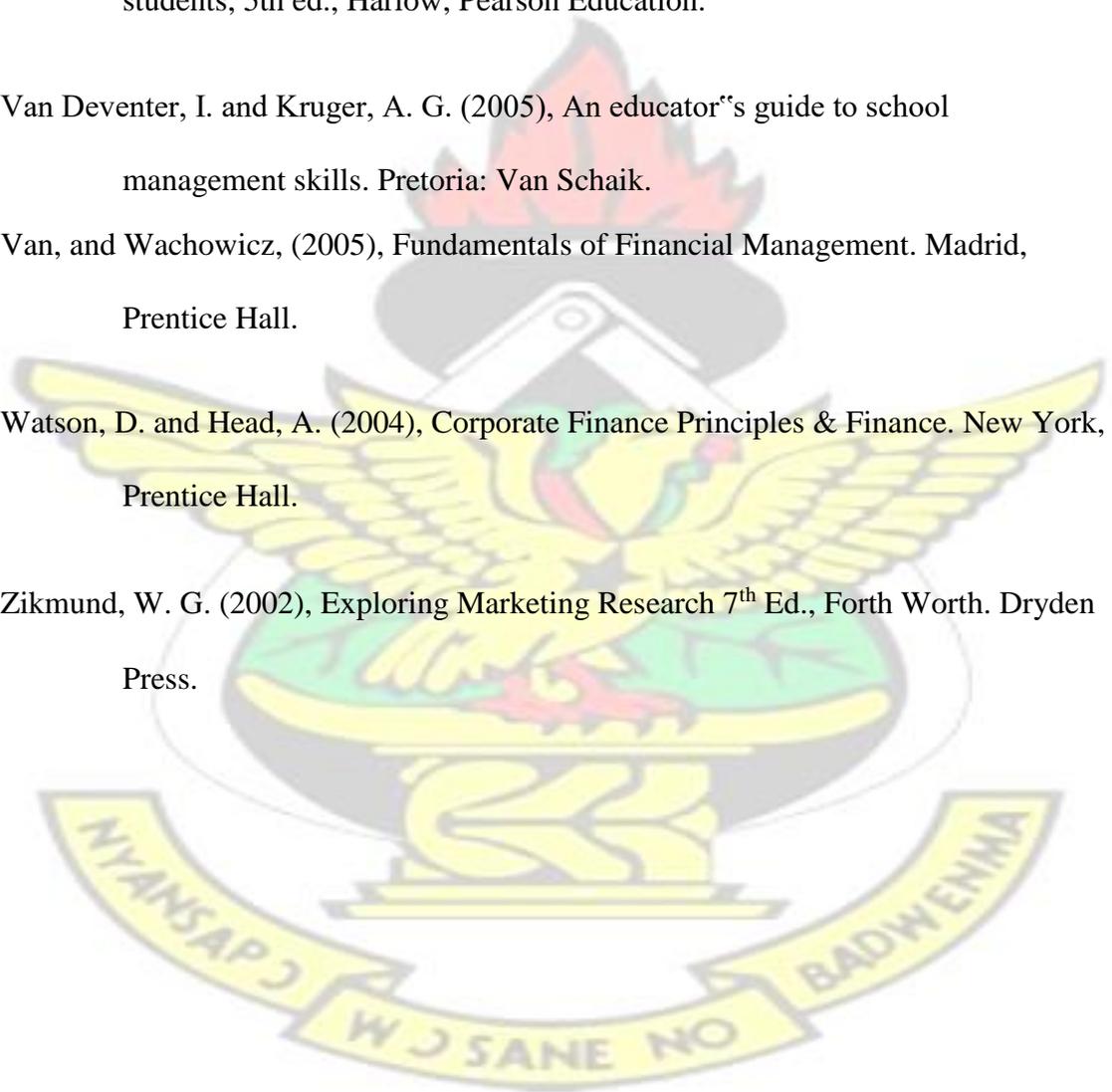
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**APPENDICES**

**APPENDIX I**

**KNUST SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**QUESTIONNAIRE FOR THE BURSAR**

This questionnaire is intended to solicit information on the Topic “Financial Management in Senior High Schools”.

The research is purely meant for academic purpose and it is being conducted in partial fulfillment of the requirement for the award of Master of Business Administration (MBA) –Finance. The researcher assures all respondents that the answers provided would be treated as confidential and anonymous.

**INSTRUCTIONS: Please tick where applicable and supply details where required.**

**SECTION A: MAJOR SOURCES OF INCOME RECEIVED**

**1. Could you please outline the major sources of funds available to the school?**

.....

**2. Do you receive these funds in time?**

Yes ( )                      No ( )

**3. (A) Does the school have any problem in the collection of school fees from students/parents?**

Yes ( )                      No ( )

**(B) If yes, what measures has the school put in place to reduce the possibility of defaults in the payment of school fees?**

.....

## SECTION B: FINANCIAL PLANNING FRAMEWORK

### 1. What are the major financial planning frameworks in your school?

i. .... ii.

.....

iii.....

## SECTION C: CHECKS AND BALANCES

The following are financial forms of financial checks and balances; please rate

by circling or underlining according to their effectiveness in your institution.

1 – Not at all Effective (NAE) 2 – Not Effective (NE) 3. Neutral (N) 4.  
Effective (E) 5 – Very Effective (VE)

	VARIABLES	NAE	NE	N	E	VE
1	Proper accounting records on cash received	1	2	3	4	5
2	Regular deposit of cash received	1	2	3	4	5
3	Periodic account reconciliation with student records	1	2	3	4	5
4	Records on all disbursements	1	2	3	4	5
5	Periodic account reconciliation with the bank statement	1	2	3	4	5
6	Daily statement from bank on students payments	1	2	3	4	5
7	Accounts department is in charge of all monetary transactions	1	2	3	4	5
8	There is an effective and efficient finance committee	1	2	3	4	5
9	There is proper technology (ICT) for processing all records	1	2	3	4	5
10	All department budgets are properly scrutinized	1	2	3	4	5
11	All purchases are done by the procurement unit and documented	1	2	3	4	5
12	The school opens all contracts for bidding	1	2	3	4	5
13	Government grants are well channeled	1	2	3	4	5

## SECTION D: ACCOUNT AUDITING

### 1. How often are the accounts audited?

- a. Quarterly ( )    b. Six months ( )    c. Yearly ( )  
 d. Occasionally    e. Other ( ) .....

**2. Who audits the accounts?**

- a. Internal auditors ( )    b. District auditors ( )    c. Regional Auditors ( )  
 d. National auditors ( )    e. Other ( )

**3. Please indicate your level of agreement with the following by circling or underlining**

1 – Strongly disagree (SD)    2 – Disagree (D)    3 – Neutral (N)    4 – Agree (A)    5 – Strongly agree (SA)

	<b>VARIABLES</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1	Auditors normally check for documents	1	2	3	4	5
2	Auditors always check for physical verification	1	2	3	4	5
3	Auditors always cross check with major suppliers	1	2	3	4	5
4	Staff payments/remunerations are always audited	1	2	3	4	5
5	Auditors work is in-depth enough	1	2	3	4	5
6	Auditors recommendations are implemented	1	2	3	4	5
7	Auditors make follow up checks	1	2	3	4	5
8	Auditors are normally motivated/influenced by account section	1	2	3	4	5
9	Auditors' motivation influences their independency	1	2	3	4	5
10	Auditors are easily influenced by money	1	2	3	4	5
11	I will prefer independent/private audit firms to governments	1	2	3	4	5
12	Auditing must be done by two or more firms for checks	1	2	3	4	5

**SECTION E: BUDGET AND EXPENDITURE**

1 – Strongly disagree (SD)    2 – Disagree (D)    3 – Neutral (N)    4 – Agree

(A) 5 – Strongly agree (SA)

	VARIABLES	SD	D	N	A	SA
1	The school has effective budget committee	1	2	3	4	5
2	The budget officer/committee is independent enough	1	2	3	4	5
3	The school has enough funds to support the budget	1	2	3	4	5
4	There are other means to internally generate funds	1	2	3	4	5
5	Projects outside the budget are sometimes considered	1	2	3	4	5
6	Spending outside budget affects other projects	1	2	3	4	5
7	Purchase follows the right procurement procedure	1	2	3	4	5
8	There is an effective procurement committee	1	2	3	4	5
9	There is a high independency of procurement committee	1	2	3	4	5
10	The procurement officer/committee influences bidding process	1	2	3	4	5

**2 How often are budgets prepared?**

- a. Monthly ( ) b. Quarterly ( ) c. Yearly ( ) d. When necessary ( )  
 e. Other ( ).....

**SECTION F: PROCUREMENT**

**1. (a) Do you have a procurement board**

Yes ( ) No ( )

**(b) If “Yes” what are its functions.**

i .....

- ii. .... iii.
- ..... iv
- .....

**2. How does the procurement chain in the school work?**

- i. ....
- ..... ii.
- ..... iii.
- .....

**3. How are the funds disbursed for procurement purposes?**

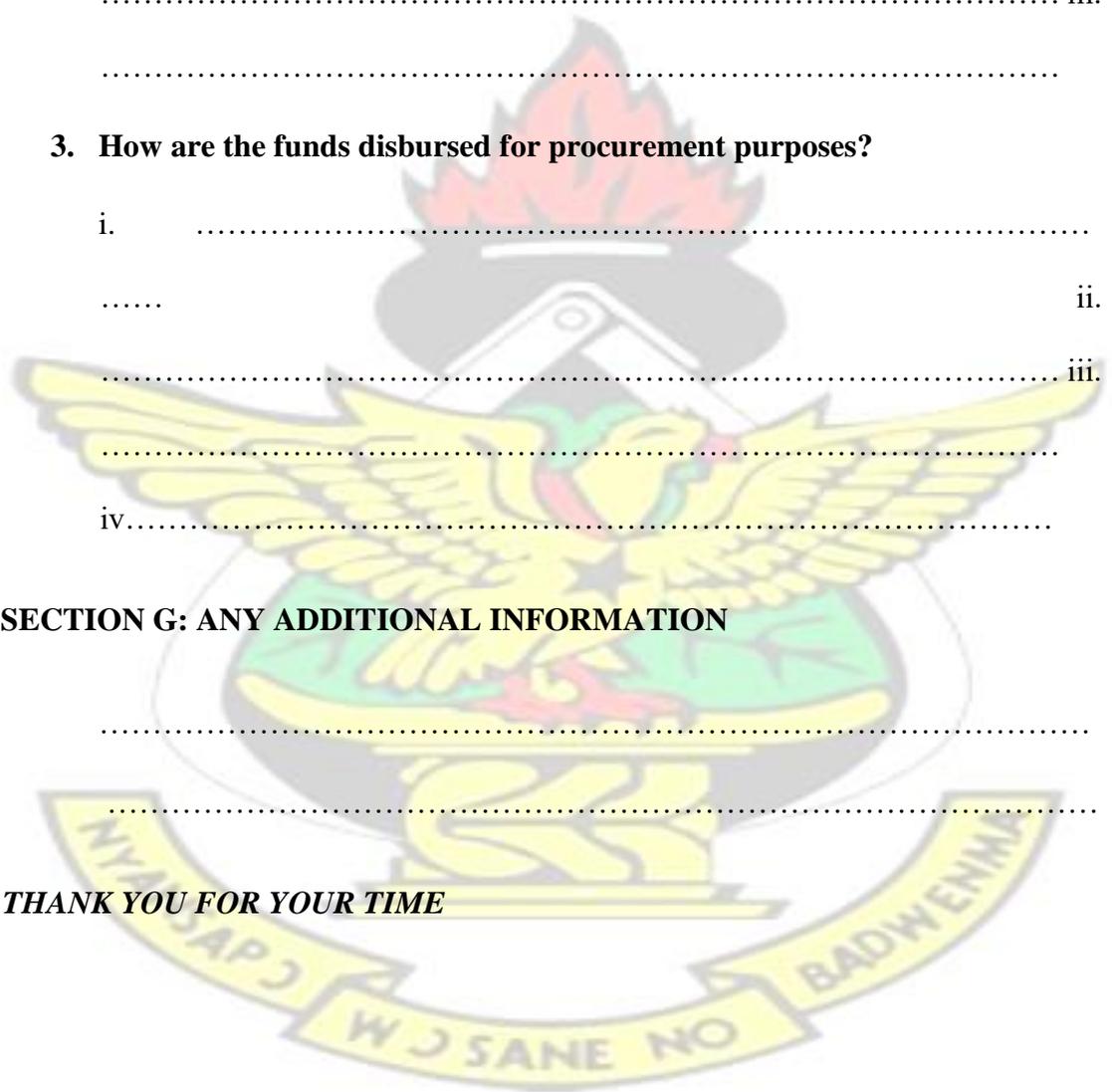
- i. ....
- ..... ii.
- ..... iii.
- .....
- iv.....

**SECTION G: ANY ADDITIONAL INFORMATION**

.....

.....

***THANK YOU FOR YOUR TIME***



**APPENDIX 2**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**KNUST SCHOOL OF BUSINESS**

**INTERVIEW GUIDE**

Dear Respondent,

An academic research is being conducted on „**Financial Management Practices of Senior High Schools (SHS)**’. Your school has been selected as one of the case study institutions. You can contribute to make this study a success by providing responses to the questions in this instrument. All information you provide will be treated confidentially and shall be used for academic purposes only.

Thank you.

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**INTERVIEW GUIDE**

Please indicate your current Position .....

**Section A. Procurement procedure and Disbursement of Funds**

1. Who is responsible for the procurement of goods and services within the school?

.....

2. How is the procurement activities undertaken within the school?

.....

.....

3. In your opinion, does it follow laid down procedure?

4. In your answer to question 3 is no, why do you think so?

.....  
5. Who is responsible for the disbursement of funds for school activities?

.....  
.....

**Section B: Financial management Framework**

6. Please describe the financial planning framework of the school

.....

7. Do you believe the current financial planning framework is yielding the desired result?

Please explain your answer

.....

**Section C: Challenges Associated with Financial management within the school** 8.

Please indicate the major challenges confronting the financial management system of the school

.....

9. In what ways are these challenges affecting the smooth management of the school's finances?

.....

10. Please describe the measures being taken by the school to deal with the challenges enumerated above

.....