

# KNUST

## CERTIFICATION

I hereby declare that this submission is my own work towards the MSC ECONOMICS and that, to the best of my knowledge, it contains no material previously published by another person or degree of the University, except where due acknowledgement has been made in the text.

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### ABSTRACT

Report has shown that there have been persistent financial malfeasances in most second circle schools in Ghana in recent times due to absent of proper financial control system and non

compliance with financial rules and regulations. Organizations use financial tools like, cash flows, income statements, budget and other financial instruments to undertake financial controls in the form of using policies and procedures established by institutions for managing, documenting and reporting on financial activities. The research was conducted to investigate the financial control system in Nifa Senior High School in Akuapem North Municipality. Actually, it assesses the sources of funds, challenges, effectiveness of financial controls and strategies to improve the control system. Information was gathered, using questionnaires to collect data, from a sample of 1 Headmaster, 3 Assistant Headmasters, 8 Bursar and Account Clerks, 35 Teaching Staff and 40 Student leaders. Four set of questionnaires were designed to determine financial control system in the School, Data obtained from the research instrument was then statistically analyzed and presented in tables, graphs and percentages. The researcher used descriptive statistics to study in detail the financial control system in Nifa Senior High School since the study is exploratory in nature. The study revealed two sources of funds for the schools, from government budgetary allocations and internally generated funds. The school funds are mostly spent on administrative activities and other important items. The students pay their school fees through bank draft and postal order while a few students are allowed to pay cash. The staff of account section should be urged to attend conferences, seminars and workshops regularly to upgrade their knowledge and skills. It is recommended that the school should establish its own audit committee to check the spending rate of the school in order to make sure that the school spends within the budgeted estimates.

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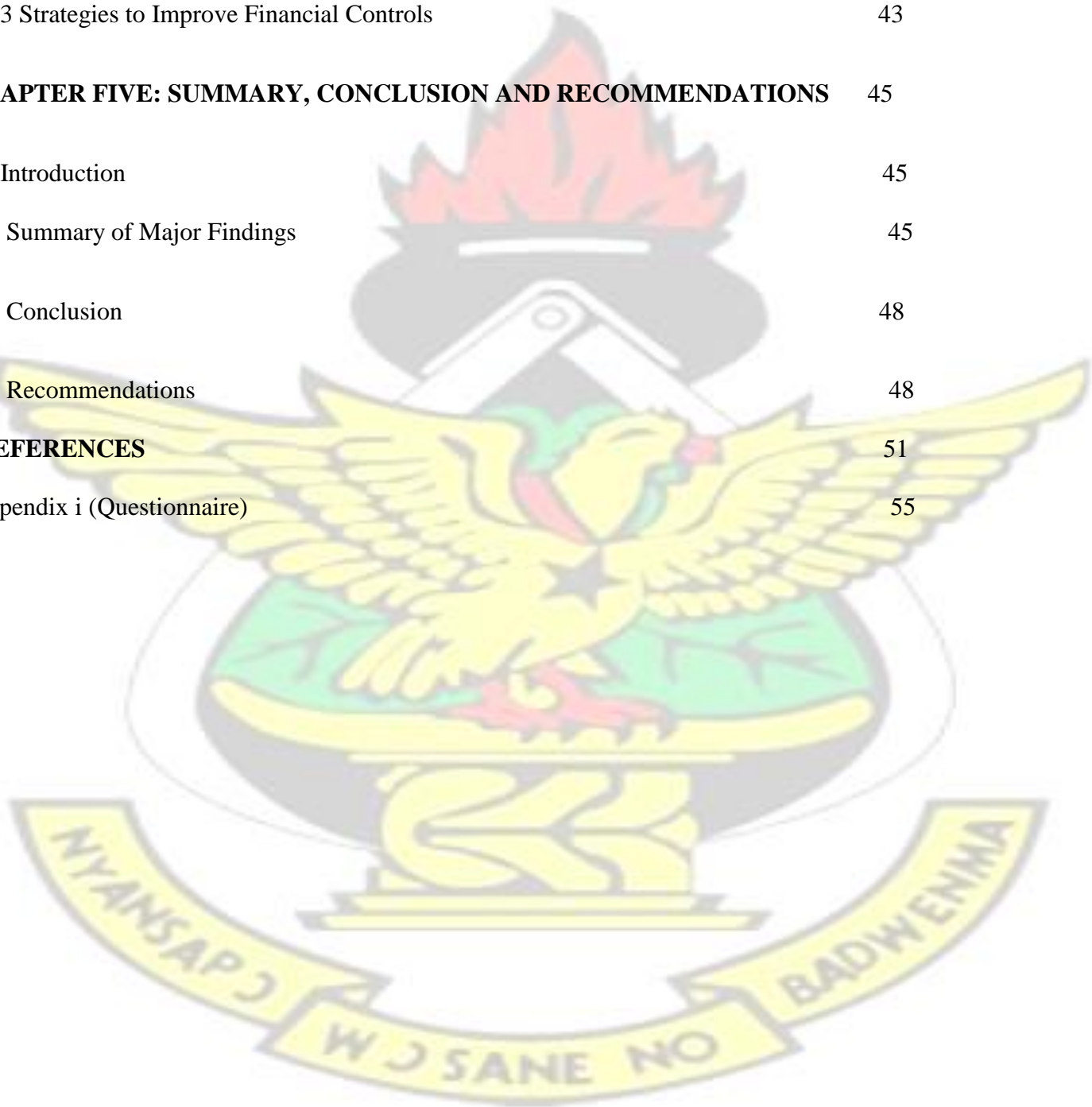
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**ASSESSMENT OF FINANCIAL CONTROL SYSTEM IN NIFA SENIOR HIGH  
SCHOOL IN NORTH AKUAPEM MUNICIPALITY IN THE EASTERN REGION OF**



**GHANA**

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**CHAPTER ONE**

**INTRODUCTION**

## 1.1 Background to the Study

The aim of the government of Ghana is to ensure that children of school going age enroll and finish school as required by the constitution to provide education for its citizenry. The first president of Ghana Dr. Kwame Nkrumah after independence formulated a policy called “Accelerated Development plan”. This plan assisted the development of education in the country. Thus, government step up effort of increasing enrollment in primary schools, established training colleges to train professional teachers and a large number of pupil teachers were employed. Infrastructure base for pre-tertiary institutions were greatly increased. Due to high influx of middle school graduates into secondary schools, which culminated to the establishment of Ghana Education Trust (GET) in 1960s charged with the responsibility to provide schools across the country. GET built twenty-four (24) secondary schools all over the country. Of course, the population of middle schools increased considerably to 6000 in 1964. (Anamuah-Mensah, 2007). Based on government intention of providing quality education for its people, an improved management structures must be put in place in Senior High Schools to ensure effective implementation of government educational policies and programmes to meet the aspirations of the people, proper use of resources, and adherence to rules and regulations of financial controls

The growth of every organization or school is measured by human, material and financial resources. The proper usage of these resources especially funds determines the success of an educational institution. Ogbonnaya (2000) asserted that the main purpose of financial management, be it in government, business or school, is raising of funds and ensuring that the funds realized are utilized in the most effective and efficient manner. He explained further that resources are scarce and that all efforts should be made by educational administrators and planners to ensure optimal

utilization of funds. Financial management is the fundamental element on which the success of any organization depends. Where the management is weak, success is hard to ascertain. No institution or school has ever succeeded in history without proper utilization of its resources. Pandit (1995) conceptualized it as management activity which focuses on controlling and planning of an organization's financial resources. This means that financial management consists of decisions on how to produce, raise money, expand and give accounts of funds provided for the implementation of programmes of an organization or a school.

Internal controls however, seek to achieve the objectives, goals, and mission of the organization (Rezaee, 2002). They focus on organizational policies and procedures that make it certain that any transaction is devoid of waste, theft and misuse of organization resources as well as providing reliable reports and ensure compliance with laws and regulations. Liu (2005) and Rittenberg and Schwieger, B. J. (2001) posit that the importance of the present organization operations of internal control comprise identifying fraudulence act, and error, minimizing illegal conduct, improving the competence of the business entity, streamline the quality of data, supporting the creation of the business infrastructure and reducing auditors fee. Internal audit which forms an integral part of internal control intends to enhance the effectiveness of financial performance, by increasing accountability in various organizations (Jensen, 2003). Internal controls seek to provide self-reliant appraisal of the quality managerial performance in carrying out assigned responsibilities for better generation of revenue, (Beeler, 1999). (Fadzil, 2005) stressed that a reliable internal control system explicitly correlates with organizational success in achieving its revenue target. In fact, the effectiveness of internal control for revenue generation is dependent on safeguarding assets, frequent evaluation of the reliability and integrity of financial and operating records, employees'

complying with policies, procedures and regulatory framework put in place by management to improve the system and make it more efficiency to achieve organizational objectives. (Ittner, C. D. & Larcker D. F. 2003). Good internal control system relies on competent personnel who are endowed with the right skills and suppose to carry out responsibilities.

(Agada, 2000) opines that the poor state of secondary school environment could be attributed to financial problems such as mismanagement and the economic crunch in the country. It is clear that poor financial management is one of the greatest obstacles of effective management of secondary schools. The problem usually emanates from the inability of the headmasters to plan and execute school budgets in line with the objectives of the school. Effective financial control system in all educational institutions generally must have competent personnel, adequate resources, supervision and compliance of administration financial rules and regulations. However, improper management of the financial system has created lapses and irregularities which result in financial constraint hang on the neck of most senior High Schools in the country. This study is aimed at investigating the financial control system in Nifa Senior High School in the Akuapem North Municipality.

## **1.2 Statement of the Problem**

Most second cycle schools are bedeviled with financial hiccup. It surfaces in the general report of financial malfeasance by some heads of Schools, accountants and bursars which affect the growth of education in Ghana. It is absurd in the sense that school funds are not being spent for the intended purposes. A total of GH¢51,046.04 was mismanaged in some Senior High Schools. Whilst GH¢106,938.30 was used for other purposes which were not budgeted for and failed to seek approved variation thereof. (Auditor General's Report, 2010).

According to (Auditor General's Report 2010) it was found out that some institutions did not comply with Ghana Education Service directives concerning lodging all monies collected in the bank before disbursement. Out of total fees of GH¢278,927.34 collected in two schools, GH¢7,268.00 representing (2.6%) was lodged in the bank. The rest of the money GH¢271,659.34 representing (97.4%) was disbursed in cash directly on service, administration and projects without first lodging it in the bank. Virtually all monies collected were disbursed without depositing it into bank account in the particular period. This confirms that some Senior High Schools do not follow Ghana Education Service directives and the authorities should not hesitate to crack the whip.

A budget is supposed to reflect accurate inflows and outflows of an institution but it appears managers of school funds fail to keep proper records and adhere to good internal accounting controls measures. Budget plays a crucial role in financial management and therefore it must show the true reflection of the activities being carried on. (Auditor General's Report 2010).

.Many institutions also did not follow strictly the provisions of Public Procurement Act, 2003 because concerned institutions purchased items worth GH¢2,384,627.08 without considering other price quotations to ascertain whether the best available prices have been obtained and besides made huge advance payment to suppliers without obtaining bank guarantees as security as well as failed to record inventory items worth GH¢26,800.00 in any inventory ledger.

(Auditor General's Report, 2010)

Poor supervision by the authorities and irregular auditing in the institutions expose the system to mismanagement of school funds and neglect of the financial regulations which undermined the purpose of financial control in most Senior High Schools. The situation has repercussions on the development of the country as government has to increase its budgetary allocation to cater for the needs of the institutions at the expense of other sectors. The financial control system of many second cycle schools in the country is weak and characterized with irregularities and besides managers of school funds have taken undue advantage on the situation to embezzle huge sum of funds. The authorities of Ghana Education Service fail to ensure that heads of institutions and their accountants adhere to financial control regulations and do not have the courage to purge the system of unscrupulous personnel. It is obvious that the concerns and the challenges raised above seem to portray ineffectual financial practices in Senior High Schools with respect to financial controls. Based on this premise that the research was conducted to ascertain whether there is reliable financial control system in second cycle institutions in Ghana. The researcher used Nifa Senior High School as a case study because of time constraint, accessibility to information since the study relates to financial matters and inadequate funds limited the researcher to include many institutions to obtain broader view.

### **1.3 Objectives of the Study**

The key objectives of the research are four fold:

1. To ascertain the sources and uses of funds in the Nifa Senior High School.
2. To examine the financial control system available to manage the disbursement of funds at Nifa Senior High School.
3. To assess the financial management challenges facing the management of the school.
4. To suggest strategies of improving the financial control system in Nifa Senior High School

#### **1.4 Research Questions**

1. What are the uses and sources of funds in the Nifa Senior High School?
2. How effective is the financial control system in managing the disbursement of funds in the Nifa Senior High School?
3. What are the financial management challenges confronting the management of the school?
4. Which strategies can be adopted to improve the financial control system of the school?

#### **1.5 Significance of the Study**

1. The findings of the study will be useful to educational policy makers for proper and adequate allocation of funds to Senior High Schools in the country.
2. It will also create awareness to Ghana Education Service on the impact of financial management in Nifa Senior High School in Akuapem North Municipality.
3. The result of study will also be useful to the Parents Teachers Association (PTA), the general public and other stakeholders who have continued to render financial assistance towards the sustenance of the schools.
4. The results of the findings will be used by the School management to improving its financial performance through effective implementation of the financial control system and processes.

#### **1.6 Limitations of the Study**

The researcher encountered various problems, the notable among them are;

Although it would have been useful to include many schools in order to get better understanding of similar features of the financial control system in Senior High Schools in Ghana, in this study it

was not possible due to insufficient resources. In effect, only one (1) school from Akuapem North Municipality was chosen.

There was lack of current literature with regards to financial control system in Ghanaian context. Most of the current literature that was obtained was from the foreign countries, which was not usually relevant to the local situation in Ghana. The study was also limited to a representative sample due to the high cost involved in terms of time and funds if a longitudinal study had to be carried out. Some respondents did not give maximum cooperation to the researcher during the data collection period which was significant in providing the required inputs for the research work.

### **1.7 organization of the Study**

This study comprises of five chapters:

Chapter one covers the background of the study, statement of the study, objectives of the study research questions, significance of the study, limitations and organization of the study. Chapter two deals with reviewing of relevant literature of the study. Chapter three focuses on the general methodology of the study; research design, area of study, biodata, population and sample, sample size and sampling technique. It also covers data collection, sources of data as well as data analysis technique. The fourth chapter talks about the findings, analysis and discussion. Finally the fifth chapter consists of summary of major findings, conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**



## **2.0 Introduction**

This chapter focuses on theoretical and conceptual review which covers definition of concepts, management and functions of internal control, significance and elements of internal control. It also deals with empirical studies, legal and regulatory framework.

## **2.1 Theoretical Review**

### **2.1.1 Definition of Concepts**

#### **2.1.1.1 Financial Management**

(Mac Menamin, 1999), (Van Home and Wachowicz 2001) said that financial management is about decision making, mobilization, sharing, and utilizing of financial resources. This shows that financial management basically deals with the functions of financing, investment and management of assets. (Andrew & Gallagher, 2003), indicated that financial management is assessing financial issues, taking decisions in relation to finance, setting financial goals and ensure that proper structures are put in place to achieve the set goal. (Pandit, 1995) also said that financial management is actually concerned management activities such as controlling and planning of an organization's financial resources. Indeed financial management entails taking decisions on how to produce, raise money, expand and account for monies entrusted to you in relation to the implementation of organizational policies. (Ogbonnaya, 2000) stressed that the main objective of financial management in all institutions is to raise monies and ensure that the monies realized are utilized in the most effective manner. He explained further that resources are limited in supply and concerted effort should be made by educational administrators and planners to ensure optimal utilization of funds. Financial management is the fundamental element on which the success of any organization depends.

### **2.1.1.2 Financial Control**

(Block and Geoffrey, 2008) explained financial control as policies and procedures established to safeguard assets and ensure that all financial activities are recorded to prevent and reduce errors and fraud. Financial control is therefore attempted to provide an overall guiding framework for efficient management of resources in all organizations. The purpose of financial control is to promote the organizations ability to achieve its objectives, providing reliable financial data, protecting assets and records, evaluating operational efficiency through budget, organizational control and encouraging staff adherence to prescribed policies and regulations. An effective financial control system protects individuals' investments and the organizations' assets, ensuring risks management which affect operational objectives, helps facilitate reliability of internal and external reporting and necessitates maintenance of proper accounting records.

(Walters and Dunn, 2001) asserted that gaining considerable knowledge of the internal financial controls both application and information technology controls are required to facilitate the development of the audit strategy and its implementation. Control environment is characterized with awareness, abilities, attitudes and actions of management. Financial controls activities are concerned with procedures and policies adopted by management to ensure compliance with directives, conducts organization's business in adequate and orderly manner, preventing and detecting of fraud and errors , accuracy and valid accounting records and timely preparation of reliable financial information that assist to achieve desired goal.

### **2.1.1.3 Internal Control**

(Messier, 2000) explained internal control as a system that is designed to achieve certain goals regarding effective operations, dependable financial reporting and adherence to laws and regulations influencing the activities of board of directors, management and employees.

(Whittington and Pany, 2004) defined internal control in accounting and auditing as a process by which organizational framework, personnel and management information system help to direct and measure resources. It is also a set of techniques or procedures put in place to protect the firm's assets, streamlines operations, ensure effective accounting information and compliance with organizational policies.

#### **2.1.1.4 External Control**

Accountability in terms of finance seeks to ensure that management explains how the financial resources of an organization are used in order to benefit those who have provided the resources.

Almost all public institutions get their financial resources from the central government and suppose to render accounts of all monies entrusted into their care through its regulatory bodies. The primary issue of accountability is that funds used by the public institutions are either received from payment of fees or government subventions and should be accounted for. (Norgah, 2008). Financial accountability can only be effective if a system is put in place to ensure that organizational and procedural matters are established to keep documents of all legal authorizations, commitments, obligations, agreements and expenditures intact.

In Ghana, different state institutions' laws and procedural arrangements have been established to ensure financial accountability. These include:

- Parliament and its subcommittees on public accounts and finance.
- Controller and Accountants General's Department.
- The Audit Service
- The Commission on Human Rights and Administration Justice (CHRAJ)

- Economic and Organized Crime Office.
- The Constitution of the Republic of Ghana
- The Financial Administration Regulation 2004 (LI 1802)
- The Financial Administration Act, 2003 (Act 654)

Financial management basically deals with goal setting, decision making, mobilization and utilization of funds. However financial control focuses on the policies and procedures established by an organization to safeguard assets and ensure that all financial activities are recorded to prevent and reduce irregularities and intend to achieve the set objectives. Internal control therefore emphasizes that structures designed by an institution to achieve intended purpose in relation to effective operations, dependable financial reporting and compliance with the laws and regulations influencing the organizational activities. Unlike internal control, external control concerns accountability since those who provide funding must be furnished with accurate information regarding how the funds are utilized. Authorities must be proactive in their quest of enforce financial laws and regulations to ensure that monies provided are used in line with the objectives of the institution to yield the full benefit.

Indeed effectiveness of the financial management hinges on internal and external controls. The interrelationship between aspects of financial system of an organization defines individual employee's responsibility, criteria to attain targeted goal, lay down rules to streamline operations to make it more efficient, better recording and reporting, exposes loopholes in the system and suggested strategies to improve the system. Financial management is geared towards the achievement of the organizational vision, mission and goal. Management functions include all issues pertaining to financial matters.

## **2.1.2 Management Functions and Types of Internal Controls**

### **2.1.2.1 Role and Functions of Management**

Management of an organization basically performs three functions which include:

#### **2.1.2.1.1 Financing of Fixed and Current Assets**

(Guin, 2011) said that a company must finance its current assets with current liabilities. This means that the short term debt financing is based on available amount of short term assets and other sources of financing. Current assets and liabilities consist of items that can be used, liquidated, matured and paid off in a year, (Guin, 2011). A company's current assets are inventories, credit receivable, and cash among others. While plant and equipment are seen as fixed assets. Long term debt and equity capital are also seen as long term liabilities. Besides that short term debt can be used permanently to finance fixed assets provided the debt persistently refinanced as it matures. Short term debt is used as a permanent source of financing because it enables the company to take advantage of the upward sloping yield curve to reduce its interest expenditure, (Fosberg R. H. 2011)

#### **2.1.2.1.2 Alternative Financing**

The best mix of financial alternative can be determined with regards to financial performance and position of an organization. The source of finance to be used must cover previous financial performance, current financial position and expected future financial performance. When evaluating the current financial performance the key areas to consider are growth in turnover, operating profit, profit before and after tax and movement in profit margin. The current financial position of the organization must be evaluated in line of establishing financial risk. Therefore the main factor to consider is financial gearing of which financial risk is determined using data from the statement of the financial position and interest cover as well as data from income statement.

Short and long terms financing should be dependent on firm's overdraft financing. Comparatively, debt finance is less expensive than equity finance and it is incumbent on the organization to be committed in paying interest. The inability of the organization to pay interest could lead to the closure of the organization. Hence if the organization has the capacity to generate enough cash to pay interest then debt finance is a good option. However if the firm is investing heavily in fixed asset, cash will not be available currently to pay interest then it would be appropriate to use equity finance. Equity holders normally prefer to accept small or no returns in the short run with the hope that benefit from the capital growth will be enhanced as their investment grows in the long term. (ACCA, 2011)

#### **2.1.2.1.3 Dividend Policy**

Individuals invest their wealth in equities or stocks of a company with the aim of receiving returns. The company has the responsibility to work with a pool of funds entrusted to its custody and ensure that investors benefit from their investment. The business environment is characterized with uncertainties and thus there is possibility that management could fail to meet the expectation of shareholders. Formulation of dividend policy and procedures in connection with the firm objectives will provide framework of how the company earnings should be determined. Dividend is charged on retained earnings that is, earnings not given out to shareholders and are in the form of financing. How dividend will be paid to share owners is decided by board of directors of a firm based on the previous financial performance, the future prospects and past dividend paid. The Constant-Payout-Ratio Dividend Policy shows payment of certain percentage of earnings to shareholders in each dividend period in the form of cash. It is computed by dividing the firm's cash dividend per share by its earnings per share. This policy is confronted with a challenge since

the firm's earnings can decline in a particular period or loss may occur and it will declare low dividend or none. On the contrary, Regular Dividend Policy is depended on fixed dollar dividend in each period. This policy provides shareholders with sufficient information hence mitigating the risk. Usually, regular dividend increases once the firm's earnings go up. In fact with this policy, dividend never deceases, (Gitman L. J. and Hennessey S. 2004).

On a day-to-day basis the financial management is involved in managing money and credit, inventory control as well as the receipt and disbursement of money. These functions tend to be influenced by various economic factors like inflation, disinflation, corporate and organizational restructuring, deficits and surpluses in budget and trade balances, and of course tax reforms (Block B. Stanley & Geoffrey A. Hirt, 1998)

#### **2.1.2.2 Types of Internal Control**

(Millichamp, 2002) said that internal control with respect to auditing is an activity of which policies and procedures are designed in attainment of the entity's goals and are discussed as follows:

##### **2.1.2.2.1 Direct Organization**

An administration policy showing a well defined organizational structure and describes how responsibility and authority are delegated. Thus it determines whom the holder of a position should report to and interrelation between various functions to avert considerable overlap of functions.

#### **2.1.2.2.2 Segregation of Duties**

Millichamp (2002) posits that an individual should not be allowed to perform more than one function. Division of operations will minimize the possibility of committing intentional manipulation or accidental errors and besides serve as a means of monitoring work. For instance accounting officers should not be assigned the same duty and also avoid additional responsibility so that they can concentrate on their core duties.

#### **2.1.2.2.3 Physical Control**

It focuses on procedures and rules to protect as well as manage organization's assets such as technology infrastructure, documents, fixed capital and cash to relieve burden on authorizing officer.

#### **2.1.2.2.4 Authorization and Approval**

In any business setting all payments should be approved or authorized by an appropriate officer who is solely responsible for financial matters. The limit to the authorization must be determined.

#### **2.1.2.2.5 Personnel**

All employees should undergo recruitment and selection processes to affirm their suitability for the job. Employers should ensure that employees have necessary knowledge and expertise required to perform a particular function as well as good attitude. Refresher courses and rotation of duties in an organization are proper means of speeding up employees' development of which significant number of staff can assume greater responsibility.



#### **2.1.2.2.6 Supervision**

Strict and consistent supervision should form integral part of organizational structure and procedures. Control system can work effectively when employees are made to adhere to policies and task assigned them are assessed to ensure that work done meet acceptable standard. Supervision should not be limited to the manager alone but must be seen as a collective responsibility of all the staff since it provides a checking system where the work of an individual staff definitely checks on another as it facilitates efficient internal control system.

#### **2.1.2.2.7 Management**

Management is therefore mandated to commit resources to achieve desired objectives. Management activities include setting of goals, development of strategies, internal auditing, providing funds, formulating of policies and procedures, enactment of laws, adequate supervisory role, evaluating of the internal control system, preparation and implementation of budget as well as safeguarding of assets. An appropriate internal control system is required to identify operational lapses that can adversely affect the set objective on timely manner.

Managers of organizations should ensure that resources are utilized in relation to the entity's policy and procedures devoid of errors and fraud. Ethical standards and regulations must be adhering to. Managers must develop efficient and reliable internal control system of which stakeholders will be confident in the operations of the firm that their investments are in the safe hands. (Samii, 2004) and (Robertson and Louwers, 2004)

### **2.1.3 Significance and Elements of Internal Control**

#### **2.1.3.1 Importance of Control in the Organization**

(Woolf, 1997) stated that well established organizational structure of any institution portrays functions and responsibilities of staff in each department. (Robertson, 2002) defines internal control as a process influencing management decisions concerning attainment of the organizational goals, development of efficient operation system, good financial reporting, and compliance with rules and regulations.

#### **2.1.3.2 Elements of Internal Control**

There are five basic elements identified as constituent of internal control. These are cash management, internal auditing, internal check, accounting control and budgetary control.

##### **2.1.3.2.1 Cash Management**

(Eun and Resnick, 2008), defines cash management as an investment organization has made with the aim of generating revenue to support the organization's budget and some amount must be set aside to meet contingencies. (Watson and Head, 2007) said that cash management forms part of treasury management in order to increase the amount of cash available, raise the returns earned from investing in securities and reduction in uncertainty. Efficient management of cash inflows and outflows is very essential in the entity bid to achieve the set objectives. Effective cash management is important to avert any occurrence of losses emerging from theft and fraud, reserve huge amount of funds to facilitate payments and the remaining funds for unforeseen circumstances. It also avoids idle money sitting in the bank account without yielding any returns.

### **2.1.3.2.2 Internal Auditing**

(Bhatia, 2003), describes internal auditing as assessing of institution's records and operations by personnel designated perform that assignment. Internal auditing is a separate role performs by a specialized body to ascertain the effectiveness of internal control system in a firm. (Subramanian, 2006). The purpose of internal auditing is to assure management that their internal control is being operated efficiently. (Reid and Ashely, 2002). Internal auditing is part of internal controls established to audit financial matters of an organization. The suitability of internal audit procedures is necessary since internal auditors engage in different jobs relating to accounting and other functions. Recently internal audit undertakes much and continuous work of monitoring the performance of management in line with the set goals (Woolf, 1996).

### **2.1.3.2.3 Internal Check**

The rationale behind financial control is to ensure fairness, accountability and enhance efficiency in the public sector financial management. However implementation of internal checks in institutions can help achieve proper financial management. Internal checks necessitate the breakdown of usual procedures to remove loopholes inherent in the system to prevent fraud and errors. (Okai, 1996) said that internal checks are the aspect of management which is concerned with the detection and prevention of errors and fraudulence act. It is therefore involved administrative work in a way that it provides ground for monitoring one another. There should be interdependent in job performance so that execution of assignment by individuals serves as checks on another.

#### **2.1.3.2.4 Internal Accounting Controls**

(Okai, 1996) indicates that internal accounting controls are based on an accounting system designed to execute organizational business to satisfy the requirement of the state institutions. Management needs better accounting system made up of different procedures. The accounting system should be manual or computerized to deal with all clerical and accounting operations. Internal accounting controls constitute completeness, validity and accuracy of records at each stage of the accounting process.

#### **2.1.3.2.5 Budget and Budgetary Control**

(Drury, 2001) asserted that a budget is a financial statement expressing decisions of management in terms of estimated income and proposed expenditure. Budget represents partly the objective of an organization and ought to be managed in a holistic manner to meet its expectations. (Lucey, 2003) opines that a budget is the quantitative statement within a time frame covering estimated income, expenditure, assets and liabilities. The budget is central in coordinating organization activities and normally facilitates achievement of business processes. (Lucey, 2003), stressed that budgetary is a process of preparing a budget to reflect the objective of management and must be subjected to review to ascertain whether the desired results have been attained.

### **2.2 Review of Empirical Studies**

(Mawanda, 2008) carried out a study to investigate the effect of internal control system and how it correlates with financial performance in tertiary institutions in Uganda. The researcher was of the view that internal control is analyzed from different perspectives such as control environment, internal audit and control activities but financial performance concerns liquidity, accountability and reporting as the measures of financial performance. The research indicated the continuous

hitches on financial performance emerges from the standpoint of poor internal controls. The researcher asserted that there is correlation between internal control system and financial performance of which it was recommended that competent staff should be employed to work in Internal Audit department as required by the University. The study therefore acknowledged the role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Employing the analytical approach, depending on control activities and monitoring, (Barra, 2010) found out that the impact of penalties and other internal controls on employees' propensity to be corrupt is less. The research conducted on both managerial and non-managerial employees prove that the presence of the control activities, separation of duties, increases the cost of engaging in corruption. Also, it was found out that separation of duties deter nonmanagerial employees from committing fraud while managerial employees considered sanctions as a possible way of reducing fraud. The results suggest that effective means of controlling control activities should be preventive control.

(Ewa and Udoayang, 2012) also assessed the effect of internal control on banks' capability to investigate corrupt practices and attitudes of employees in Nigeria. Data collected from 13 banks in Nigeria using questionnaire and presented findings in percentages and ratios. The study revealed that internal control affects employees attitude towards fraud and therefore effective internal control system prevent corrupt practices but poor internal control system exposes the system to fraud.

(Wee Goh, 2009) did a study with 208 firms on audit team, boards of directors, and correction of material flaws in internal control. The researcher measured the suitability of major departments in a company and board of directors in accordance with their autonomy, financial know-how, size, and how often meetings are held. Similarly he assessed the dual role of managing director as a member of both management and the board. The researcher came to realization that some factors influence the firms' attempt to correct material flaws such as the more serious material flaws, profitability and difficult nature of operations of the firm. He indicated that section of audit officers with financial know-how positively related to firms' blueprint in their bid to remedy material flaws. Firms with larger audit team can easily solve material weaknesses in a timely manner. The board which is more independent is less impressionable to take undue advantage on management and more likely to mount pressure on management to solve material flaws.

(Oppong Joyce, 2011) carried out a research to analyze the financial control practices and its effectiveness in educational institutions in Ghana. Data collected from 120 respondents from New Juaben Senior High School indicated that the sources of funds available to Senior High Schools include Ghana Education Trust Fund (GETFUND), Parents Teachers Association dues, Old Students dues and other fees charged on the use of school facilities. These monies are to be spent on the school's educational capital projects and administrative activities. The study further revealed that management adhered to basic principles underscore financial controls. Good accounting practices such as checking receipts on regular basis, signing of receipts and approving payments by the headmaster as part of control measures. Also the study showed that management has put in place financial control measures to check financial malfeasance. These include authorization of transactions, recording of transactions, cross-checking bank payments against receipts, issuance of receipts for all payments made to the school and periodic audit of school accounts.

### **2.3 Legal and Regulatory Framework**

Ghana has a well designed legal framework for public financial management (PFM) for all government institutions, following the amendment of PFM laws and regulations in recent years.

The Constitution spells out clearly the macro economic and fiscal roles of the executives, legislative and judicial arms of government and provides the basis for the raising of resources and their expenditure. The laws governing the management of public funds include the Financial Administration Act of 2003 (FAA), the Auditor-General Act of 2000 and the Financial Administration Regulation (FAR). The legal framework shows the fundamental budget and accountability structures, which requires that all revenues, loans and grants be paid into the Consolidated Fund (CF), out of which legally approved expenditures can be made. Ministry of Finance (MoF), the Controller and Accountant-General's Department (CAGD), Chief Directors of Ministries, Departments and Agencies (MDAs), and the Auditor-General (AG) have been authorized to develop and implement fiscal policy framework for public funds of the country.

Institutions therefore have been established to ensure that the use of state resources must be budgeted for and presents to parliament for approval. The CAGD is the Chief Accounting Officer of the government and is responsible to keep, render and publish statements of public accounts. Office of the Auditor General is mandated to audit and report on the public accounts of the state and all public offices. The Audit Service Act (2000) defines the duties of the Auditor General and the scope and time for audits. Parliament also passed the Public Procurement Act (2003). The Act establishes a Public Procurement Board to make administrative and institutional arrangements for public procurement in a fair, transparent and non-discriminate manner. The new board was inaugurated in August 2004. Also promulgated recently was the Internal Audit Agency

Act (2003), which established the Internal Audit Agency to co-ordinate, facilitate and provide quality assurance for internal audit units being established in the MDAs and MMDAs.

The IAA Board was inaugurated in August 2004. (Nkua J. K., Tanye J. P. & Asante J., 2013)

## 2.4 Conceptual Framework

**Table 2.4.a Management of School Financial System**

<b>SCHOOL FUNDS</b>		
<b>Internal Generated Funds</b>	<b>Government Budgetary</b>	<b>Allocations</b>
Schools fees, PTA dues, Old Student Fundraising from special events, Donations etc	Sources of Funds Government grants, GETFUND, dues, Subsidies, HIPIC Funds, Funds	from MMDAs
Administration expenses, Instructional materials, Projects, Food and maintenance, Disbursement Travelling expenses, utilities	Education Service, Controller and Accountant-General's	Ministry of Finance, Ghana Department, Banks
<u>Internal Control</u> Audit Service voucher, Daily reconciliation, books (serially order number of receipts) Compliance with Public Procurement, Act 2003, Financial Administration, Act 2003 and Audit Service, Act 2000	<u>External Control</u> Cash book in a lock, Relevant payment Receipt Controls GES office - Auditor	
Source: Financial Administration Act 2003, Public Procurement Act 2003, Auditor General's Report 2010		

According to Financial Administration, Act 2003 Senior High Schools generate funds from various sources such as internal generated funds and government budgetary allocation which is seen as recurrent expenditure receive by the school on quarterly basis. Government budgetary allocation is released depending on the schools submissions (annual budget) to the Ministry of



Finance which have been approved by the Board of Governors. Both funds are disbursed on administration activities, instructional materials, school projects, food items, fuel and maintenance, travelling expenses, utilities and others. The headmaster and the Board of Governors approve the school expenditure for the year. Disbursement of funds is made by Ministry of Finance, through Ministry of Education and Ghana Education Service Regional Offices, Controller and Accountant General's department and the banks. External and internal controls are measures put in place to ensure proper management of the school monies is realized. They include cash book in a lock, relevant payment voucher, daily reconciliation, receipt books (serially order number of receipts) as well as External Auditor from Audit Service and Internal Auditor from Ghana Education Service. The schools must be in compliance with Public Procurement, Act 2003, Financial Administration, Act 2003 and Audit Service, Act 2000 to regulate the operations of accountants.

### **CHAPTER THREE**

### **METHODOLOGY**

### **3.0 Introduction**

This chapter deals with the method used for the study. It covers the research design, the study area, biodata, population and sample, sample size and sampling technique, data collection, sources of data, and data analysis technique.

### **3.1 Research Design**

This study is an exploratory research. It uses descriptive statistics to study in detail the financial control system in Nifa Senior High School.

#### **3.1.1 The Study Area**

Nifa Senior High School is a community based co-educational institution established in 1971 as a product of the phasing out of then Adukrom Teacher Training College by the Ministry of Education currently Ghana Education Service. The school is situated in Adukrom-Akuapem in the Eastern Region about two kilometers from the outskirts of the main town, on Apirede motor road. The school's vision is one of the best creative educational centers of excellence in the country. The mission statement of the school is to promote the development of the nation's youth by offering quality education on competitive basis. The school impact fundamental knowledge through effective teaching in the field of science, art, business, agriculture which will provide them with skills and opportunities to make informed decisions and choices that enhances the self-realization and prepare them to be progressive citizens. The school believes in producing all round students and staff whose conduct and character enhance the aspirations of Ghana as a nation developing its human capital for social-economic development. The general objective of the school is to provide full secondary school education to the growing number of boys and girls, especially those residents

around the Okere community who have little chance of receiving secondary level education elsewhere due to shortage of such schools. The school currently has a student population of about two thousand students, the teaching and non teaching staff of about one hundred and sixty (160).

### **3.1.2 Biodata**

The study contains a thorough analysis of the data gathered primarily from a sample of 87 respondents consisting of management, accounting staff, teaching staff and student leaders of Nifa Senior High School in Akuapem North Municipality. The study took note of gender representation among the various respondents in the school. It is found that the gender representation is skewed in favor of men in the school with 59.6% of the respondents being men and 40.4% respondents being women. However, the student leaders have fair representation for men and women. Similarly, management staff belongs to the age group of 50 years and above while other respondents excluding student leaders were in the middle age group. The age distribution shows that these respondents were of age, depicting their various experiences in the administrative issues of the school. With educational background, 33.3% had master's degree in their various fields of work while 66.7% also had first degree. A master degree also had a professional qualification. Indeed the highest levels of education of the respondents show that they really qualified for the work they are assigned to do. The subsequent sections present the views of management, accountants, teachers and students of Nifa Senior High School of the financial control system

### 3.2 Population and Sample

The target population of the study is made up of the Headmaster, Assistant Headmasters, Bursar, and Account Clerks, Teaching staff and Student leaders totaling two hundred and thirty-three (233). Using both purposive sampling and random sampling, eighty-seven (87) respondents were selected with the break down as follows: The Headmaster, (1) Assistant Headmasters (3) Senior Accountant or the Bursar and Account Clerks (8), Teachers (35) and Student leaders (40).

**Table 3.2b Sample Distribution by Gender and other Group of Respondents**

<b>Gender</b>	<b>Administration</b>	<b>Teaching Staff (Tutors)</b>	<b>Student Leaders</b>	<b>Total</b>
<b>Female</b>	<b>4</b>	<b>15</b>	<b>20</b>	<b>39</b>
<b>Male</b>	<b>8</b>	<b>20</b>	<b>20</b>	<b>48</b>
<b>Total</b>	<b>12</b>	<b>35</b>	<b>40</b>	<b>87</b>

Source: Field Survey (2016)

### 3.3 Sample Size and Sampling Technique

Purposive sampling technique was employed to sample the Bursar and Account Clerks, Headmaster, and Assistant Headmasters. For teachers and student leaders a simple random sampling method was used. With this method the teachers' numbers were used and 1/3 of the teachers' population was chosen employing simple fraction. The first unit of teacher was chosen and subsequently units were selected in multiples of 3 from the remaining N-1 teachers' population without replacement till the nth unit so that each unit has a chance of 1/N-1 to be part of the sample.

### **3.4 Data Collection**

Four sets of questionnaires were designed comprising both close-ended and open-ended questions to elicit the necessary information from respondents. Different set of questionnaire was given to various groups of the respondents. The open-ended assisted respondents to express their views on the subject matter but the closed-ended questions urged respondents to respond to common issues. The questionnaires were administered to the respondents at their convenient time and ample time was given to answer the questions.

### **3.5 Sources of Data**

Also the study used both primary and secondary data. The researcher used questionnaire as the method for primary source of data collection. The secondary sources of data included Auditor General's report, books, thesis and online database.

### **3.6 Data Analysis Technique**

Data were collected and the responses were edited and coded. This was done to ensure consistency and uniformity in the processing of the data. The data were analyzed using computer software called Statistical Package for Social Science (SPSS 16) and Excel. Descriptive statistics (percentages) were used in the analysis. And the results were represented in tables and graphs.

## CHAPTER FOUR

### FINDINGS, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

This chapter deals with the analysis and discussions on the various issues comprise results and analysis of funds generation and disbursement, results and analysis of effectiveness of financial control as well as results and analysis of management challenges and improvement of strategies.

#### 4.1 Results and Analysis of Funds Generation and Disbursement

Pre-tertiary institutions generate revenue from these sources such as school fees, Grants from government, PTA dues, Old Students dues and other fees charged on the use of the school facilities.

The incomes generated are used to run the school in order to achieve the desired goal.

**Table 4.1c Funds Generation at Nifa School High School**

Sources of Funds	Frequency	Percentage
School Fees	4	33.3
Grants From Government	3	25.0
Donations	0	0.00
PTA dues	2	16.7
Old Students dues	1	8.3
N.G.O	1	8.3
Other	1	8.3
	12	100

**Source: Field Survey (2016)**

The analysis of data in table 4.1b above shows that the main sources of funds available to the school based on responses from the administration of Nifa Senior High School. These percentages are also confirmed approximately from the records available from the school administration. The school's internally generated account in a cash management system is put in place to handle the cash flows in the school from students, parents, community; while income from government budget allocations is mainly used for administrative activities. Revenue from school boarding and user fees are spent on administrative activities, service activities and on food items. The study further revealed that the school generates enough funds from school fees which represent (33.3%) of the total monies collected and (25%) of the total funds is generated from government grants as well as (16.7%) is received from Parents Teachers Association (P.T.A) dues. The remaining sources of funds show the lowest percentage. While there is no receipt of donation.

The survey's results on the disbursement of funds at the Nifa Senior High School are represented in the 4.1b below. Financial resources are committed to administrative activities, infrastructure, instructional materials, donations, emoluments, feeding of students, utilities, fuel and maintenance alike to ensure effective teaching and learning.

**Table 4.1d Disbursement of Funds at Nifa School High School**

<b>Uses Of Funds</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Administrative Expenses</b>	<b>4</b>	<b>33.4</b>
<b>School Projects</b>	<b>1</b>	<b>8.3</b>
<b>Fuel and Maintenance</b>	<b>1</b>	<b>8.3</b>
<b>Instructional Materials</b>	<b>2</b>	<b>16.7</b>
<b>Food Items</b>	<b>3</b>	<b>25.0</b>
<b>Others</b>	<b>1</b>	<b>8.3</b>
<b>Total</b>	<b>100</b>	<b>12</b>

**Source: Field Survey (2016)**

As indicated in table 4.1d, it was found out from the school's administration that (33.4%) of the school funds is mostly spent on administrative activities like stationery, travelling allowance, transfer grants, postage charges, among others. Also a total of (58.3%) of the respondents agreed that funds are used on school projects, fuel and maintenance, instructional materials and food items. Apart from administrative expenses the results indicated that expenses on food items ranked the next highest in the school's disbursement. The residual (8.3%) of the respondents agreed that funds were spent on other expenses such as utility bills, donations, refreshment, minor repair on residential building and workshops.

#### **4.2 Results and Analysis of Effectiveness of Financial Control**

The key questions posed to the respondents were; i. By what means were fees paid? ii. Who prepares the school's budget? iii. How often receipt books are checked and monies lodge in the



bank before disbursement? iv. How effective are financial control measures? The findings from respondents are discussed as follows:

#### 4.2.1 Effectiveness of Mode of Fees Collection

Ghana Education Service issued directives urging all second cycle schools in Ghana to pay school fees and other monies through banker draft or postal order since it is an effective means of payment of school fees.

**Table 4.2.e Mode of Fees Collection**

Means of Payment	Frequency	Percentage
Cash	8	16.7
Bank draft	25	52.0
Money order	0	0.00
Postal order	15	31.3
Cheque	0	0.00
<b>Total</b>	<b>48</b>	<b>100</b>

**Source: Field Survey (2016)**

The table 4.2.e above shows the responses from the respondents (Accounting Staff and Student leaders) with regards to the mode of payment in Nifa Senior High School. It was realized that (52.0%) of the respondents were of the view that majority of the students pay their fees through bank draft, (31.3%) of the respondents did indicate that a few students pay their fees through postal order and (16.7.5%) of the respondents said that some students are allowed to pay their fees by cash and this confirmed the Auditor General's Report (2010) that some Senior High Schools Failed to adhere to Ghana Education Service policy concerning payment of fees. While no student has been permitted to pay fees either by cheque or money order. The mode of payment of school fees

has been compromised in the school due to the inability of management to resist the attempt of accepting cash from some students as payment of fees. This has rendered the financial control system ineffective. The study further found out whether students are always issued with receipts, all the respondents indicated “yes”. This means that students are not cheated in terms of saying they have not paid school fees when they have paid. They also noted that the receipts have serial numbers. One could however argue that once the receipts have serial numbers, they are genuine and therefore the school has an effective financial control system. Another could also argue that fake receipts will also have serial numbers so they could not be easily suspected.

#### **4.2.2 Effectiveness of Budget Preparation**

One of the measures taken by institutions to control funds is budget. It is usually prepares by persons connected with financial matters. Budget is used to establish the basis for the internal audit work and to provide a system whereby the resources of the school are used in the most efficient manner.

**Table 4.2f Group Responsible for Budget Preparation**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Headmaster</b>	<b>2</b>	<b>16.7</b>
<b>Bursar</b>	<b>7</b>	<b>58.3</b>
<b>Accountant</b>	<b>3</b>	<b>25.00</b>
<b>Finance Committee</b>	<b>0</b>	<b>0.00</b>
<b>Total</b>	<b>12</b>	<b>100</b>

**Source: Field Survey (2016)**

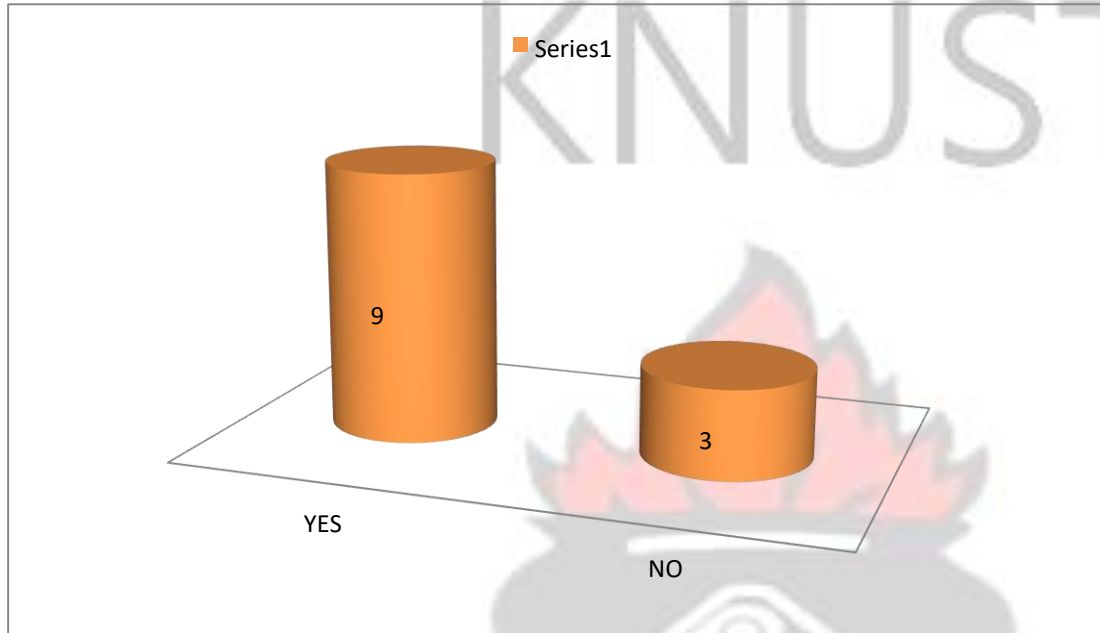
From table 4.2f it was revealed that 2 out of 12 respondents (management, and Accounting staff) consists (16.7%) said the headmaster is responsible for the preparation of the budget, 7 respondents

representing (58.3%) alluded to the fact that the bursar is charged with the responsibility of preparing school budget and 3 respondents representing (25%) indicated that it is the account clerks who prepare budget but no respondent said the budget is prepared by the finance committee. This shows that the headmaster, bursar and the accountants are directly involved in the preparation of the school budget. The study showed that teachers and students are not allowed to make inputs when it comes to preparation of school budget. As to whether the school expenditure exceeds revenue, all the respondents (management and accounting staff) said 'yes' because of certain reasons beyond the control of the implementers. Actually, the school budget supposes to be prepared by a budget committee under the supervision of the headmaster. Anything short of this will result in collusion and the net effect will be embezzlement and mismanagement of funds. Besides, the effectiveness of financial control practices could be doubted since such situation is prevailing in the school.

#### **4.2.3 Analysis of Money Lodged in the Bank and Checking of Receipt Book**

The Auditor General Report (2010) shows that some of the Senior High Schools have not been lodging monies collected in the bank before disbursement and recommended that headmasters and their accountants who have breached this financial control regulation should be sanctioned to serve as a deterrent unto others. Also to determine how often receipt books are checked to ascertain bank payment against receipt so as to help prepare bank reconciliation.

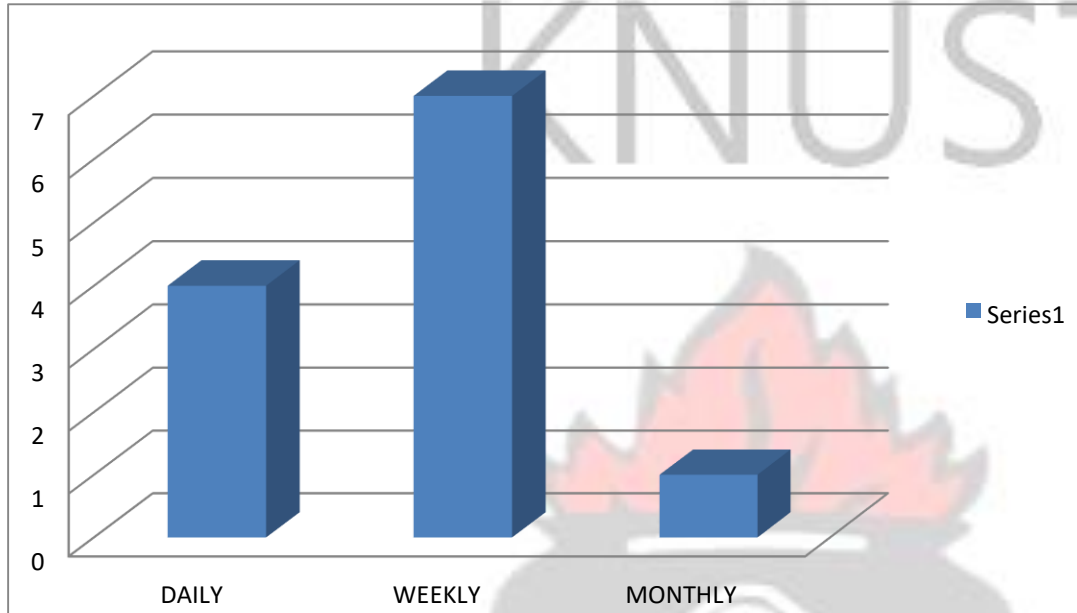
**Figure 4.2a Lodging Monies at Bank before Disbursement**



Source: Field Survey (2016)

The researcher asked whether monies collected by the school are being lodged in the bank before disbursement. The figure 4.1b above confirmed that 9 respondents (management, and accounting staff) representing (75.0%) said 'yes' and 3 respondents representing (25.0%) said 'no'. This shows that some monies received by the school have not been banked before disbursement. It is obvious that Ghana Education Service directives have not been complied with by the school which undermines financial control practices.

**Figure 4.2b How Often Receipt Books are checked?**



**Source: Field Survey (2016)**

The study shows that 7 respondents ( management and accounting staff) representing (58.3%) said that the receipt books are checked weekly, 4 respondents constituting (33.3%) contended that the receipt books are checked daily whereas the remaining one representing (8.3%) said the receipt books are checked monthly. From the figure 4.2b one could realize that the receipt books are checked every week to reconcile all bank payments against receipt to prevent possible embezzlement of school funds.

#### **4.2.4 Analysis of Effectiveness of Financial Control Measures**

The Auditor General's Report (2010) revealed that some Senior High Schools have embezzled funds due to weak internal financial control system. The study aimed at finding out whether management has put in place control measures to check mismanagement and embezzlement of funds.

**Table 4.2g Control Measures to Check Mismanagement and Embezzlement of Funds.**

<b>Control Measures</b>	<b>Frequency</b>	<b>Percentage</b>
<b>External and internal auditing</b>	<b>10</b>	<b>21.3</b>
<b>Spending within budget</b>	<b>7</b>	<b>14.8</b>
<b>Issuing of receipt to cover all payments</b>	<b>13</b>	<b>27.6</b>
<b>All payments must be approved by headmaster</b>	<b>6</b>	<b>12.8</b>
<b>Depositing money into relevant account</b>	<b>11</b>	<b>23.4</b>
<b>Total</b>	<b>47</b>	<b>100</b>

**Source: Field Survey (2016)**

All the 47 respondents were used to acquire the needed information. They were management, accounting staff and teachers. From the table 4.2g above, 10 respondents constituting (21.3%) affirmed that external and internal auditing if often done will identify lapses embedded in the operations of all those involve in handling funds in the school and probably reduce the tendency of personnel mismanaging and embezzling funds. 7 respondents representing (14.8%) contended that spending within budget is a sure way of avoiding any attempt to embezzle funds. 13 respondents forming (27.6%) said all payments should be covered with receipts. Indeed 6 respondents representing (12.8%) said all payments must be approved by the headmaster since he is the spending officer in the school and also could be held responsible for any financial malfeasance. The remaining 11 respondents constituting (23.4%) alluded to the fact that even though Ghana Education Service of recent time has directed that all monies received by Senior High Schools should be banked before disbursement, the probability of monies being deposited in wrong bank account would be high if authorities are not vigilant. The headmaster therefore should ensure all monies collected must be deposited in relevant bank accounts. The study showed that

issuing of receipt to cover all payments, depositing money into relevant account and external and internal auditing should be given much attention to bring sanity in the financial control system in the school. Management should not loose focus on the remaining control measures; spending within budget and all payments must be approved by headmaster are equally important and must be looked at seriously.

### 4.3 Results and Analysis of Management Challenges and Improvement of Strategies

This section answers the following questions; i. What are financial management Challenges?

ii. Which strategies can be used to improve financial controls?

#### 4.3.1 Financial Management Challenges

The implementation of budget falls within the purview of the bursar and the headmaster supported by other staff. Government policies and socio-economic factors may contribute to non realization of budget target.

**Table 4.3h Financial Management Challenges**

challenges	Frequent	Percentage
<b>Inflation (Increasing prices of goods and services)</b>	<b>21.3</b>	<b>10</b>
<b>Delay in government grants</b>	<b>23.4</b>	<b>11</b>
<b>Unpaid school fess</b>	<b>40.4</b>	<b>19</b>
<b>Change in government policy</b>	<b>14.9</b>	<b>7</b>
<b>Total</b>	<b>100</b>	<b>47</b>

**Source: Field Survey (2016)**

The data collected from management, account officers and teachers indicated that 10 out of 47 respondents representing (21.3%) said budget implementation challenges are caused by persistent rise in prices of goods and services increasing expenditure and in effect incurring budget deficit. 11 respondents forming (23.4%) contended that government grants sometime delay making it difficult to honor certain financial obligations to suppliers. Again 19 respondents representing (40.4%) agreed that budget implementation challenges are stem up from unpaid school fees. The cause of this situation is attributed to economic hiccups as well as some parents' refusal to pay their wards school fees. Still 7 respondents constituting (14.9%) affirmed that change in government policy has contributed to this challenge since in her attempt to lessen financial burden on parents comes out with approved fees without consulting heads of second cycle schools limiting their effort to raise enough revenue to meet planned expenditure. From the table 4.3h above unpaid school fees ranked highest, thus posing serious challenge in raising more revenue to meet the school expenditure. Subsequently delay in government grants and inflation sometimes compounded the situation when it comes to budget implementation.

**4.3.2 Other Financial Management Challenges**

Other challenges confronting financial management in the school are not in doubt. The study revealed that (75.0%) of respondents within management level and account section are not impressed about the measures taken by the headmaster to check mismanagement. It is evident from the responses of all the respondents that the school did not have internal auditor. The internal auditor comes from the Municipal Education office and visit the school once in a month. So it can be deduced that the absence of internal auditor in the Senior High Schools account for high incident of mismanagement and misapplication of school funds as reported by Auditor



General in 2010. A critical look at the responses from (66.7%) of the respondents shows that those connected to financial matters are not in compliance with accounting procedures and financial control rules. There is much to be done to improve on the financial system. (58.3%) of the respondents were of the view that procurement team does not follow procurement procedures when purchasing goods and services of which more money has not be accounted for. (Auditor General's Report, 2010).

According to (62.5%) of the student leaders, receipts are issued to students immediately they pay their school fees but (37.5%) of the them rescind to that claim since it takes some days for account officers to issue receipts to students when payment is made. Overwhelming number of respondents (teachers and student leaders) representing (70.7%) contended that students did not benefit from monies they paid and this confirming their position that monies received are not being used for intended purpose. Deficiencies in the financial control system in the school could be a vehicle for some administration staff to siphoning monies.

#### **4.3.3 Strategies to Improve Financial Controls**

Due to imbalances in the financial control practices, it will be expedient to sanitize the system and adopt strategies to make it work efficiently so that stakeholders will have confident in the internal control system in the school.

**Table 4.3i Strategies to Improve Financial Controls**

<b>Strategies</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Strict supervision</b>	<b>12</b>	<b>25.5</b>
<b>Workshops/Conferences /Seminars</b>	<b>4</b>	<b>8.5</b>
<b>Motivation</b>	<b>10</b>	<b>21.4</b>
<b>Installation of accounting software and intranet</b>	<b>9</b>	<b>19.1</b>
<b>Recruit qualified personnel</b>	<b>4</b>	<b>8.5</b>
<b>A committee to collect all monies</b>	<b>5</b>	<b>10.6</b>
<b>Proper bookkeeping</b>	<b>3</b>	<b>6.4</b>
<b>Total</b>	<b>47</b>	<b>100</b>

**Source: Field Survey (2016)**

The views solicited from management, accounting officers and teachers concerning strategies to improve financial control system show that 25.5% of the respondents said that the headmaster should do a due diligent in managing financial controls by providing adequate supervision to make the staff sit up and also follow the provisions of Public Procurement and Financial Administrative Acts (2003). 8.5% of the respondents indicated that the staff of account section should be urged to attend conferences, seminars and workshops to upgrade their knowledge and skills as well as being abreast with new innovations in the accounting system. Motivation is a key factor induces employees to put up their best. 21.4% of the respondents said that if account officers are well motivated in terms of remuneration and other allowances, the tendency of mismanaging funds will reduce. 19.1% of the respondents reiterated that the financial system can be improved if the school installs intranet connectivity in account section and headmaster's office so that the head can

monitor the operations of the staff. The use of accounting software will actually boost the efficiency of accountants' work. 8.5% of the respondents said it is high time educational institutions employ professional accountants to manage funds in order to ensure proper bookkeeping. The remaining 10.6% of the respondents said that a committee composed of trustworthy members should be engaged to collect all monies. Table 4.3i above shows that strict supervision, motivation and installation of accounting software and intranet are the major strategies management is expected to consider in its decision with respect to improvement of financial controls.



## CHAITER FIVE

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.0 Introduction**

Chapter five of the study comprises summary of major findings, conclusion and the recommendations of the study. The research was undertaken to assess financial control system in Nifa Senior High School. It was aimed at ascertaining whether there were effective financial controls and challenges confronting financial management in the school.

### **5.1 Summary of Major Findings**

The main findings of the study are summarized as follows in line with research questions: The school has two sources of revenue: Internally generated funds and government budgetary allocation. The school revenue is mostly spent on administrative activities, (33.4%) followed by food items (25%). The students pay their school fees through bank draft, postal order and some students pay cash. Not all monies collected were banked before disbursement and the school budget is often prepared by the accounting staff under the supervision of the headmaster. The school is saddled with some challenges such as unpaid school fees, increase in prices of goods and services, teaching staff inputs are not considered when it comes to budget preparation and no internal auditor in the school. The financial control system can be improved if the headmaster steps up effort to ensure strict supervision, the staff is well motivated especially accounts officers and a committee is formed to collect school fees. The data is statistically analyzed and presented in tables, graphs and percentages.

It was realized that Nifa Senior High School generates revenue from different sources such as School fees, Grants from Government, PTA dues, Old Students dues and other fees charged on the use of the school facilities. The monies are classified as internal generated funds and government budget allocations and the monies are used for various purposes deem it necessary. It was pointed out that school funds are mostly spent on administrative activities like stationery, travelling allowance, transfer grants, postage charges, among others. Some of the monies are used on school projects, fuel and maintenance, instructional materials and food items. Still other expenses are made on utility bills, donations, refreshment, minor repair on residential building and workshops.

In addition, the analysis also indicated that students pay their school fees through bank draft and postal order while a few students are allowed to pay school fees by cash. It came to light that students are given receipt for every payment made and the receipts are serially numbered.

It was also revealed that the headmaster, bursar and other accountants prepare the school budget and approves by the headmaster and approves by the board of governors. The expenditure exceeds revenue because of price hikes and unpaid school fees as well as delay in government grants.

Not all monies collected were banked before disbursement. This confirms the Auditor General's Report (2010) that some Senior High Schools Failed to deposit monies collected into the schools' bank accounts before disbursement. From the analysis it was realized that the receipt books are checked every week to reconcile all bank payment against receipt to prevent possible mismanagement of school funds.

If external and internal auditing is done periodically, lapses embedded in the operations of all those involve in handling funds in the school will be identified and probably reducing the tendency of personnel mismanaging and embezzling funds and spending within budget is a sure way of

avoiding any attempt to embezzle funds as well as all payments should be covered with receipts. All monies should be lodged in relevant accounts.

The analysis again showed that financial management challenges are caused by persistent rise in prices of goods and services increasing expenditure, government grants sometimes delay making it difficult to honor certain financial obligations to suppliers, unpaid school fees and then change in government policy to lessen financial burden on parents. Findings on the other challenges confronting financial controls revealed that the school did not have internal auditor and this account for high incident of mismanagement and misapplication of school funds as reported by Auditor General's Report (2010). Indeed procurement procedures are not followed when purchasing of goods and services. The study further indicated that receipts are issued to students immediately they pay their school fees but some hold the view that this assertion is untrue. It is obvious that students do not benefit from monies they paid and this confirming their position that monies received are not being used for intended purpose.

In short, the strategies to improve financial control system in the school per the analysis are; the headmaster should do a due diligent in managing financial controls by providing adequate supervision and also follow the provisions of Public Procurement and Financial Administrative Acts (2003). The staff of account section should be urged to attend conferences, seminars and workshops to upgrade their knowledge and skills as well as being abreast with new innovations in the accounting system. The account officers should be motivated in terms of remuneration and other allowances, so that the tendency of mismanaging funds will reduce. The school should install intranet connectivity in account section and headmaster's office so that the head can monitor the operations of the staff and the use of accounting software will actually boost the efficiency of

accountants' work. Professional accountants should be employed to manage finance in order to ensure proper bookkeeping.

# KNUST

## **5.2 Conclusion**

At the end of study, it was found out that the sources of funds available to the school are government budget allocations and internally generated funds such as school fees, PTA dues, Old Student dues among others and these monies are spent on administrative activities, school projects, instructional materials and food items. The analysis indicated that students pay their school fees through bank draft and postal order while a few students are allowed to pay school fees by cash. It came to light that students are given receipt for every payment made and the receipts are serially numbered. It was also realized that some of the monies collected were not banked before disbursement which showed that the school was in violation of Ghana Education Service directives. From the analysis it was realized that the receipt books are checked every week to reconcile all bank payment against receipt to prevent possible mismanagement of school funds.

Again, persistent rise in prices of commodities, unpaid school fees and delay in government grants are challenges saddled with management and procurement procedures are not followed when purchasing goods and services. In effect school budget is always in deficit. The study further indicated that receipts are issued to students immediately they pay their school fees but some hold the view that this assertion is untrue. It is obvious that students do not benefit from monies they paid and this confirming their position that monies received are not being used for intended purpose. Finally, some of the strategies that came up to improve financial control system in the

school include adequate supervision, motivation of staff, installation of intranet connectivity and accounting software as well as attending conferences, workshops and seminars.

### **5.3 Recommendations of the Study**

There is no institution that can perform creditably without appropriate financial controls and management system in place. The concept of financial controls affects every aspect of the organization such as assets of the business, all liabilities, budget and operations. One the purposes of the financial controls are to ensure that managers of institutions are in strict compliance with financial regulations. Based on the findings of the study, the researcher deems it necessary to make the following recommendations:

Ghana Education Service should encourage the headmaster of Nifa Senior High Schools to resource Visual Art department to produce artifacts which can be sold on local and international markets. Home Economics department can also prepare and sell psaltery, drinks and variety of food at the school canteen to the school community. Proceeds realized from these ventures can support the school budget so that over-reliance on existing internal generated funds and government budget allocations will minimize. It will also serve as a platform for students offering these programmes to equip themselves with entrepreneurial skills of which they can establish their own jobs after school.

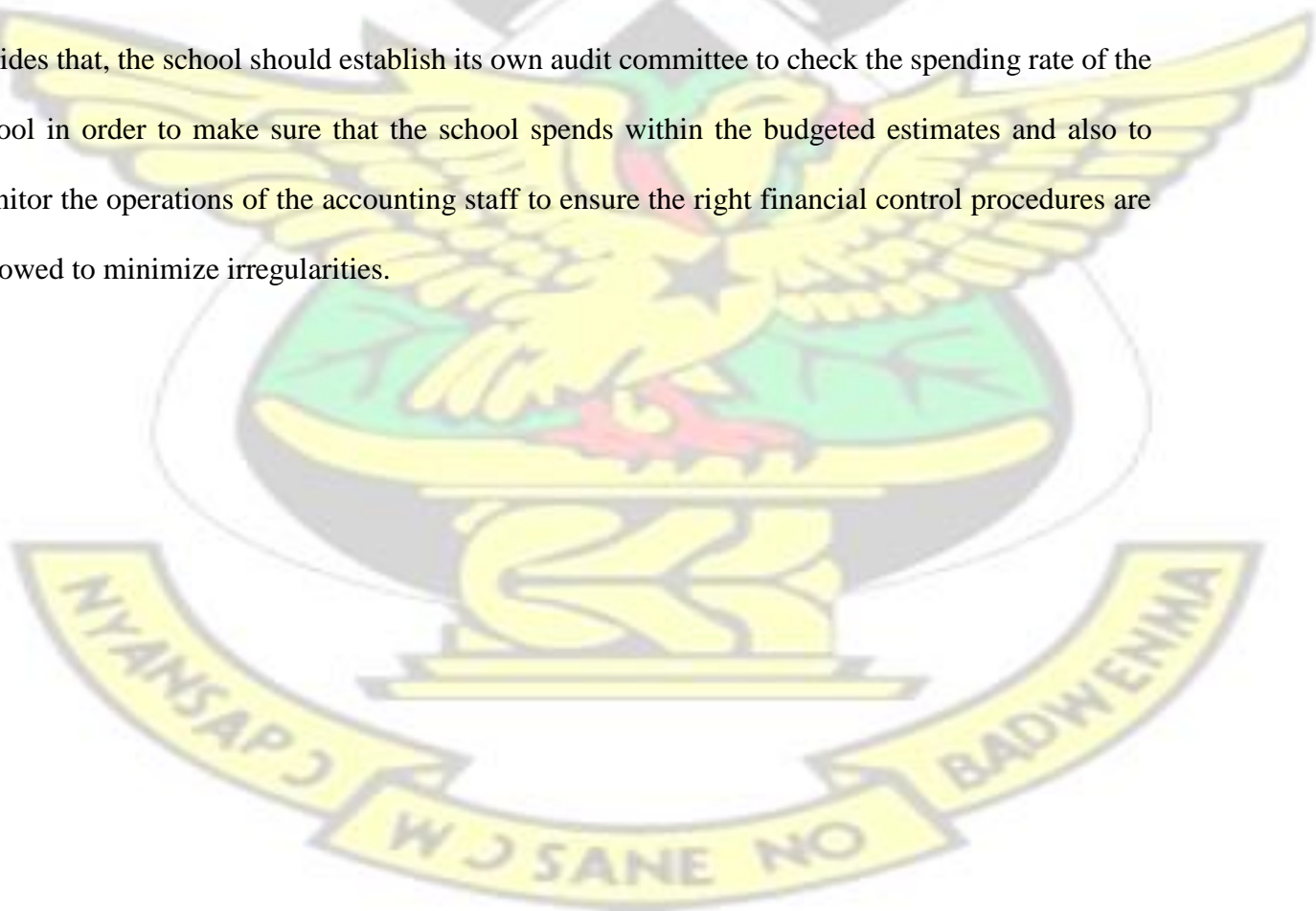
To large extent the school budget should not be prepared by only the headmaster and the account officers. Finance committee must be established to prepare the budget under the supervision of the headmaster and inputs from staff and student leaders should be considered to reflect their views.



The Auditor – General’s Report should be released regularly to enable authorities of Ghana Education Service detect errors, irregularities or fraud committed by the headmaster and account officers in the school and also to inform the regulatory body the kind of actions that will be taken to deal with the situation. Sometimes delay of the Auditor – General Report creates opportunity for perpetrators of irregularities or fraud to vacate post which makes it difficult to investigate the case to gather evidence to prosecute those who are found culpable.

The headmaster of the institution should be given in-service training on basic principles of financial management to equip him with knowledge and skills to take proper supervisory role over the administrative staff. Again, staff of accounting and procurement units should undergo regular training to enhance their skills in order to provide better services.

Besides that, the school should establish its own audit committee to check the spending rate of the school in order to make sure that the school spends within the budgeted estimates and also to monitor the operations of the accounting staff to ensure the right financial control procedures are followed to minimize irregularities.



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**APPENDIX I (QUESTIONNAIRE)**

**KWAME NKURUMAH UNIVERSITY SCIENCE AND TECHNOLOGY, KUMASI  
DEPARTMENT OF ECONOMICS**

## QUESTIONNAIRE FOR TEACHERS

I would greatly appreciate it if you could complete this questionnaire to elicit your view on the financial control system in Nifa Senior High Schools in Akuapem North Municipality. I would be grateful if you could complete this questionnaire by ticking [] in the space provided where applicable. The data collected will be used for academic purposes only and the anonymity or confidentiality of respondents is guaranteed. Thank you.

1. Name of school.....

2. Gender:            Male []            Female []

3. Age of respondent: 20 - 30 [] 31 – 40 [] 41 – 50 [] 51 and above []

4. Educational qualification: First degree [] Master degree [] PhD [] Professional []

others.....

5. How long have you been in this school: 1 – 5 [] 6 – 10 [] 11 and above []

6. Are you a member of any financial committee in the school? Yes [] No [] if

Yes, list the duties you perform as a member

.....

.....

7. Have you been tasked to collect money on behalf of the institution? Yes []

No [] If yes, what kind of monies? .....

.....

8. In your view, are school funds being used for intended purpose? Yes [ ] No [ ]

9. Are you allowed to make inputs when the school budget is being prepared?

Yes [ ] No [ ]

10. In your candid opinion, do students benefit from monies paid to the school?

Yes [ ] No [ ]

11. What are the financial control measures put in place to check misappropriation and misapplication of school funds?

- a) External and internal auditing [ ]
- b) Issuing of receipt to cover all payments [ ]
- c) Spending within budget [ ]
- d) All payments must be approved by headmaster [ ]
- e) Depositing money into relevant account [ ]

12. Suggest ways of improving financial control system in the School

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**KWAME NKRUMAH UNIVERSITY SCIENCE AND TECHNOLOGY, KUMASI  
DEPARTMENT OF ECONOMICS**

## QUESTIONNAIRE FOR ACCOUNTANTS

I would greatly appreciate it if you could complete this questionnaire to elicit your view on the financial control system in Nifa Senior High Schools in Akuapem North Municipality. This questionnaire is designed to help you describe financial control system prevailing in your institution. I would be grateful if you could complete this questionnaire by ticking [√] in the space provided where applicable. The data collected will be used for academic purposes only and the anonymity or confidentiality of respondents is guaranteed. Thank you.

1. Name of school.....
2. Gender:            Male [    ]            Female [    ]
3. Age of respondent: 20 - 30 [    ] 31 – 40 [    ] 41 – 50 [    ] 51 and above [    ]
4. Educational qualification: HND [    ] First degree [    ] Master degree [    ] Professional [    ]  
others.....
5. How long have you been in this school: 1 – 5 [    ] 6 – 10 [    ] 11 and above [    ]
6. What                            is                            the                            current  
position.....
7. How do you treat cash received? a) Keep in safe [    ] b) Bank the same day [    ] c) Bank the  
next day [    ]
8. How often do you deposit cash received at the bank a) Daily [    ] b) Weekly [    ] c) Monthly  
[    ]
9. Do all monies received banked before disbursement? Yes [    ] No [    ] If no specify



10. Who prepares the school budget a) Headmaster [ ] b) Bursar [ ] c) Accountant [ ]
11. Does your school's expenditure exceed income? Yes [ ] No [ ]
12. Does the school purchase items which have not been budgeted for? Yes [ ] No [ ]
13. By what means are school fees collected? a) Cash [ ] b) Bank draft [ ] c) Money order  
[ ] d) Postal order [ ] e) Cheque [ ]
14. Are all payments supported by voucher\ receipts? Yes [ ] No [ ]
15. Who approves for all payments in the school? a) Accountant [ ] b) Bursar [ ]  
c) Headmaster [ ]
16. Are cheques counter signed by any other person apart from the Accountant and the  
Headmaster? Yes [ ] No [ ] don't know [ ]
17. Are procurement procedures followed when purchasing goods and services? Yes [ ] No [ ]
18. Does the headmaster ensure that procurement provisions are complied with Yes [ ] No [ ]
19. How many people are signatories to the school account? One [ ] Two [ ] Three [ ]
20. Are annual budget approved by board of governors or school management?  
Yes [ ] No [ ]

21. What are the financial control measures put in place to check misappropriation and misapplication of school funds?

- a) External and internal auditing [ ]
- b) Issuing of receipt to cover all payments [ ]
- c) Spending within budget [ ]
- d) All payments must be approved by headmaster [ ]
- e) Depositing money into relevant account [ ]

22. Suggest ways of improving financial control system in the School

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**KWAME NKRUMAH UNIVERSITY SCIENCE AND TECHNOLOGY, KUMASI**

**DEPARTMENT OF ECONOMICS**

**QUESTIONNAIRE FOR MANAGEMENT**

I would greatly appreciate it if you could complete this questionnaire to elicit your view on the financial control system in Nifa Senior High Schools in Akuapem North Municipality. This questionnaire is designed to help you describe financial control system prevailing in your institution. I would be grateful if you could complete this questionnaire by ticking [√] in the space provided where applicable. The data collected will be used for academic purposes only and the anonymity or confidentiality of respondents is guaranteed. Thank you

1. Name of school.....
2. Gender:            Male [    ]            Female [    ]
3. Age of respondent: 20 - 30 [    ] 31 – 40 [    ] 41 – 50 [    ] 51 and above [    ]
4. Educational qualification: First degree [    ] Master degree [    ] Professional [    ]  
others.....
5. How long have you been in this school: 1 – 5 [    ] 6 – 10 [    ] 11 and above [    ]
6. How does the school generate funds? a) School fees [    ] b) Grants from government [    ]  
c) Donations [    ]
7. Which bodies does the school receive donations? a) Nongovernmental organizations [    ]  
b) Old Students Association [    ] c) Parent- Teachers Association [    ]
8. Do all monies received banked before disbursement?    Yes [    ]            No [    ]

9. How monies received disburse? (You can tick more than one)

- a) Administrative expenses [  ]    b) School projects [  ]    c) Fuel and maintenance [  ]  
d) Instructional materials [  ]    e) Food items [  ]

10. Who prepares budget for the school? a) Headmaster [  ] b) Bursar [  ] c) Accountant [  ]

11. Is the budget prepared implemented? Yes [  ] No [  ]

12. Does expenditure match revenue? Yes [  ] No [  ]

13. What challenges does the school face in implementing the budget? a) Inflation [  ]

b) Delay in government grant [  ]    c) Unpaid school fees [  ]    d) Change in government policy [  ]

14. Who supervises expenditure? a) Headmaster [  ] b) Bursar [  ] c) Internal Auditor [  ]

15. Is it true that the headmaster is responsible for financial mismanagement? Yes [  ] No [  ]

16. Does the school have a defined code of ethics? Yes [  ] No [  ]

17. How often are the receipt books checked? a) Daily [  ] b) Weekly [  ] c) Monthly [  ]

18. Does the school have internal auditor? Yes [  ] No [  ]

19. Does the headmaster ensure that accounting procedures and financial control rules are adhered to? Yes [  ] No [  ]

20. What are the financial control measures put in place to check misappropriation and misapplication of school funds?

- a) External and internal auditing [ ]
- b) Issuing of receipt to cover all payments [ ]
- c) Spending within budget [ ]
- d) All payments must be approved by headmaster [ ]
- e) Depositing money into relevant account [ ]

21. What measures have been put in place to improve financial control system in the school?

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..... **KWAME**

**NKRUMAH UNIVERSITY SCIENCE AND TECHNOLOGY, KUMASI  
DEPARTMENT OF ECONOMICS**

**QUESTIONNAIRE FOR STUDENT LEADERS**

I would greatly appreciate it if you could complete this questionnaire to elicit your view on the financial control system in Nifa Senior High Schools in Akuapem North Municipality. This questionnaire is designed to help you describe financial control system prevailing in your institution. I would be grateful if you could complete this questionnaire by ticking [√] in the space provided where applicable. The data collected will be used for academic purposes only and the anonymity or confidentiality of respondents is guaranteed. Thank you.

1. Name of school .....
2. Gender Male [ ] Female [ ]
3. By what means are school fees collected? a) Cash [ ] b) Bank draft [ ] c) Money order [ ] d) Postal order [ ] e) Cheque [ ]
4. Are you always issued with receipt for payment made? Yes [ ] No [ ]

5. Are the receipts issued serially numbered? Yes [      ] No [      ]
6. In your view, do students benefit from the monies paid? Yes [    ] No [    ]
7. Are monies collected from students use for intended purpose? Yes [    ] No [    ]
8. Are you given receipt immediately after making any payment? Yes [    ] No [    ]
9. Are you consulted for the preparation of the school budget? Yes [    ] No [    ]

