

**PRACTICES AND PROBLEMS OF FINANCIAL MANAGEMENT  
SYSTEM IN JIMMA ZONE PUBLIC SECONDARY SCHOOLS**

**BY  
TAREKEGN REGASA**



**APRIL 2013  
JIMMA UNIVERSITY**

**PRACTICES AND PROBLEMS OF FINANCIAL MANAGEMENT  
SYSTEM IN JIMMA ZONE PUBLIC SECONDARY SCHOOLS**

**BY**

**TAREKEGN REGASA**



**A THESIS SUBMITTED TO**

**THE INSTITUTION OF EDUCATION AND PROFESSIONAL DEVELOPMENT  
STUDIES DEPARTMENT OF EDUCATIONAL PLANNING AND  
MANAGEMENT OF JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN  
EDUCATIONAL LEADERSHIP**

**ATO TAMIRU JOTE (MA) .....MAIN ADVISOR**

**ATO TADESSE ABERA (MA)..... CO-ADVISOR**

**APRIL, 2013**

**JIMMA UNIVERSITY**

**DEDICATION**

**Practices and Problems of Financial Management System in Jimma Zone  
Public Secondary Schools**

**APPROVED BY BOARD OF EXAMINER:**

	<b>Name</b>	<b>Signature</b>	<b>Date</b>
Chair Man	_____	_____	_____
Advisor	_____	_____	_____
Co-Advisor	_____	_____	_____
Internal Examiner	_____	_____	_____
External Examiner	_____	_____	_____

## **ACKNOWLEDGEMENTS**

First and for most, I would like to thank the almighty God for his presence with me in all the ups and downs.

I extend my sincere thank to Ato Tamiru Jote and Ato Tadesse Abera my main and co- advisors, for their intellectual guidance and constructive comments.

I also extend my thanks to my colleagues who helped me during data analysis using SPSS and while correcting and editing this thesis and giving valuable suggestions.

Finally, I wish to acknowledge all schools and their staff and all woreda finance and economic development office respondents who have helped me in providing the relevant data.

# Table of contents

Contents	page
Acknowledgements.....	i
Table of contents.....	ii
List of Tables .....	v
Acronyms.....	vi
Abstract.....	vii
<b>Chapter One: Introduction.....</b>	<b>1</b>
1.1 Background of the study.....	1
1.2. Statement of the problem .....	6
1.3 Objectives of the study .....	7
1.4 Significance of the study .....	8
1.5 Delimitation of the study.....	8
1.6 Limitation of the study .....	9
1.7 Definition of Terms .....	9
1.8 Organization of the study .....	10
<b>Chapter Two: Literature review .....</b>	<b>11</b>
2.1 The Concept of Management and Financial Management.....	11
2.1.1 The Concept of Management .....	11
2.1.2 Concept of Financial Management.....	11
2.2 The Function of Financial Resources in Schools .....	14
2.3 Development of Decentralized Financial Management System .....	16
2.4 Budget Planning.....	19
2.5 Fundamental Assumptions of Budgeting .....	23
2.6 Financial Management Guidelines of Ethiopia .....	24
2.7 The Planning and Budget Process .....	26

2.7.1 Budget Process.....	27
2.7.2 Budget Development .....	28
2.7.3 Budget Administration .....	30
2.8 Financial Accounting, Costing, Auditing and Controlling.....	31
2.8.1 Financial Accounting.....	31
2.8.2 The Purpose of Cost Accounting.....	35
2.8.3 Auditing and Controlling.....	37
<b>Chapter Three Research Design and Methodology .....</b>	<b>44</b>
3.1 Research Design .....	44
3.2 The Research Method .....	44
3.3 Source of Data .....	44
3.4 Population of the Study .....	45
3.5 Sample and Sampling Techniques .....	45
3.6 Data Collection Instrument .....	45
3.7 Pilot Testing.....	46
3.8 Method of Data Analysis .....	47
3.9 Ethical Consideration.....	47
<b>CHAPTER FOUR: Presentation, Analysis and Interpretation of Data .....</b>	<b>48</b>
4.1 Characteristics of the Sample population .....	48
4.2 Discussion on Observation and Interview .....	72
<b>CHAPTER FIVE: Summary, Conclusion and Recommendations .....</b>	<b>74</b>
5.1 Summary of Findings .....	74
5.2 Conclusion .....	76

5.5 Recommendations.....	77
Reference .....	80
Appendixes .....	85

## Lists of tables

Table 1. Characteristics of school respondents.....	49
Table 2 Financial management practice of schools.....	51
Table 3 The main source of budget for schools.....	53
Table 4 Budget preparation .....	54
Table 5 Budget releasing time .....	55
Table 6 Factors that might affect management of school finance .....	56
Table 7 Suggested solutions for Factors that might affect management of school finance .....	58
Table 8 Authorized body to approve the allocated budget for schools....	59
Table 9 Income generating activities by schools .....	60
Table10 Reasons that might hinders budget allocation and utilization .	62
Table 11 Extent of auditing activity in schools .....	63
Table 12 Availability of school financial experts .....	64
Table 13 Budget planning .....	65
Table 14 Main source of school internal income.....	66
Table 15 Availability of staff in the finance department .....	67
Table 16 Availability of financial management and auditing Guideline .....	68
Table 17 Whethe the school finance used efficiently and during the fiscal year or not .....	69
Table 18 Income generating activities and the amount of budget allocated .....	70
Table 19 Budget transfer from code to code and about school autonomous .....	71



## **ACRONYMS**

**The following acronyms are used in the thesis as stated here under:**

ADF: African Development Fund

FDRE: Federal Democratic Republic of Ethiopia

GAAP: General Accepted Accounting Principles

IDA: International Development Agency

ICA: Institute of Chartered Accounting

LFM: Local Financial Management

MOE: Ministry Of Education

MOFED: Ministry Of Finance and Economic Development

OAG: Organization of Audit General

OPEC: Organization of Petroleum Exporting Countries

PTA: Parent Teacher Association

TGE: Transitional Government of Ethiopia

UNESCO: United Nation Educational, Scientific and Cultural Organization

USAID: United States Agency for International Development

WEO: Wereda Education Office.

# ABSTRACT

The purpose of this study is to examine current practices and problems of financial management system of Jimma zone secondary schools. To achieve this goal the existing financial management practices, such as budget planning, accounting methods and reporting system of secondary schools were examined. Data for this study was collected using questionnaire, interview, observation and document investigation. The study was conducted in seven secondary schools, seven woreda finance and economic development offices and seven woreda education offices of Jimma zone. The study found out ,among other things, that:(1) The schools have shortage of skilled work force in the account office,(2) School organizations are characterized by lack of planning and loosely coupled financial management,(3) The allocated budget from the point of achievement of the educational objective was not sufficient, (4) There is no consistent accounting system over the schools, and (5) The freedom schools have to use the budget according to their desire is not flexible. The study suggested that there is a need for efficiency in workers, training for staff members who are working in the finance section of schools, and to give each school the freedom, within agreed budget, to manage the school finance with close supervision.

# CHAPTER ONE

## 1. Introduction

### 1.1 Background of the study

Financial management is the part of the total management function, which is concerned with the effective and efficient rising and use of funds. It must be operated with the framework of clearly understood objectives and based on logical concepts (Brokinghton,1987:9).

Clarke (2008:278), describes financial management as follows: “It is essential that the school principal makes sure that she/he has the knowledge and understanding of the basic process involved in managing the school’s accounts, the budgeting process, the systems and controls that are necessary to ensure that the school’s budget is properly utilized.

Van wyk (2004:411),stated that the objective of financial management in the public sector is to support management in the allocation of limited resources with the purpose of ensuring economic and efficiency(and effectiveness) in the delivery of outputs required to achieve desired outcomes that will serve the need of the community(school).

Campsey (1987:7), noted that the main function of financial management is” to plan to acquire and utilize funds in order to maximize the efficiency and value of the enterprise.”

Momeniat cited in Erasmus (2008: 402), explains financial management as a requirement of manager to take responsibility for the actions and achievements in exchange for greater managerial discretion over their inputs. Thus, managers have to take responsibility for their performance

Proper public sector financial management is vital for developing countries like Ethiopia, which strive against famine and wide-spread poverty, because it will help them attain smooth and worth while economic development. To this effect, reform at all levels of the administrative bodies and in all sectors of the economy is indispensable to bring about desired improvements in public financial management.

In its history, Ethiopia had practiced many reforms with regard to public financial management. Most of the time, it geared from the center and had negative impact on all activities of the nation extending from the top to the grass root level.

After 1991, systematic change has been introduced to decentralize the finance system from top down to the grass root level.

Thus, presently, Ethiopia is wielding a woreda-driven finance system. The federal government and the regional states distribute money to the woredas and determine how it spent on schools.

Woredas also raise money and determine how it should be is spent in schools. Although schools are mostly supplied with teaching learning resources such as teachers and books they rarely are supplied with resources in the form of money (proclamation No.17/1997).

Thus, the woredas emphasis needs to be changed to a school oriented financial management if effective site-based financial management is to be implemented. A shift to school-based financing also would be appropriate for the public school choice programs (Admassu, 2003:16).

Furthermore, schools effectiveness research clearly identifies the school as the key organizational unit where educational services are provided and students learning occur.

According to Govertz and Odden (1999: 130-157), a number of factors combined to make school-based budgeting a compelling strategy. These include:

- **Efficiency:** moving schools and school systems away from the “one-size fits-all” model of funding, this has been a goal of many politicians for some years. It is backed by the common-sense idea that school personnel have better information about each particular schools needs than someone removed from the local situation does.
- **Equity/ Adequacy:** the issue of inadequate funding of some schools within a woreda while others seem to have enough for their needs has long been recognized as a problem. The primary issue is that some schools have many more students with special needs due to disabilities, poverty, language barriers, transportation problems,

or lack of prior achievement. True equity means that such schools need additional resources.

- ***Element of competition***: the school based budgeting program is designed to motivate schools to keep current students by providing the best possible school program and even attract additional ones especially since enrollment is measured each year with budgets adjusted accordingly.
- ***Linkage of funding with overall school improvement efforts***: school based budgeting and school based management are not the same, as either one can exist without the other. However, in order to get the best value out of either of these school administration strategies it makes sense to link the two, so that school personnel not only have the authority to manage their budget, also have the right level of resources, along with the flexibility, to do the job.

Since 1992, Ethiopia has implemented the decentralization programs, by developing authority to autonomous regions and then sub-regional governments. The government of Ethiopia also initiated a civil service reform in 1996 to build capacity for implementing this devolution.

Ethiopia's policy of decentralization is one of the most comprehensive and radical measure. The government's recent decision to accelerate the decentralization process is a concerted attempt to empower local communities and improve service delivery.

Some projects are assisting different levels of government to make this policy work by designing and installing appropriate yet efficient financial procedures and trained staff in their use. The in-service training program developed by different projects has created a partnership amongst the country's management institutes and many government staff responsible for financial management (Peterson:2005).

Decision making on important issues such as the nomination of teachers and principals down to school level and the use of the budget has descended from the regional to the Woreda. All regions have created the necessary woreda officers.

In all regions woredas have now important autonomy, in the management of material, human and financial resources.

Organization of school finance should include aspects such as a drawing up a school financial policy; setting up a structure within the school to handle administrative and financial matters; delegating certain functions to clerks, class teachers and treasurer, and coordinating activities (Kruger 2005: Ntseto 2009).

Financial planning (with any management planning) lays down an orderly approach to future actions. Overall this effect leads to comprehensive programming and budgeting of future operations.

Mark (2001:12), stated that participative budgeting has frequently proved successful in creating a healthy atmosphere. This technique invites participation in the budget process by personnel at all levels of the organization, not just upper level managers. Information flows from the bottom up as well as from the top down during budget preparation.

A growing number of woredas now prepare their own educational development plans. This practice is also going down to the schools (ESDP IV, 2010/2011:72).

Projecting costs for ESDP IV are estimated to increase significantly, from an annual 22 billion in 2010/11 to 29 billion in 2014/15. The costs will be covered by domestic and external financing sources. Government, through Federal and regional budgets is expected to be the main source of funding. Projecting Government budgets forwards, the government education budget is around 18 billion birr in 2010/11 climbing to nearly 27 billion. The difference with the projected costs leads to a funding gap (ESDP IV,2010/11).

Under ESDP IV, communities will continue to be asked to contribute to financing education, through provision of local materials and labor. The community may also be based on its ability and development level, help out with non-salary recurrent expenditure. Students and parents also participate in the financing of education through fees to filling the financial gap. Failure to fill this funding gap means that elements of the education program will not be implemented.

The reform of public sector financial systems can play a critical role: in improving the management of scarce resources, building the capacity of the government to deal with crises, and improving service delivery to the rural poor who make up 85 percent of the population.

No organization can exist or accomplish its functions effectively without adequate financial resources at its disposal. Money is needed to pay staff, maintain the plant and keep services going (Ozigi, 1995). This is true of the educational organizations too. The managerial and instructional personnel of the levels of programs, materials to be used and all other essentials need money (Adesion, 1990). It is very essential particularly, at school level where the actual teaching learning activity is performed.

In poor countries like Ethiopia the main source of finance and improving education is the responsibility of the government. The major sources of educational finance are government budget, schools internal revenue, community contribution and non-governmental organizations, (Blue print guideline of MOE1994:58).

The amount of finance available to schools and the way it is utilized influences the quality of their performance. So, this resource needs to be managed properly in order to enhance its contribution to the betterment of the quality of education (Lockhed and vers poor;1991).

In order to establish good financial management, educational managers at different levels, must be equipped with necessary information that will enable them to answer questions that can strengthen the proper utilization of finance. In line with budget which is expressed in monetary terms, is a quantitative statement of the resources set aside to enable the organization to plan, organize, direct and control (Schick, 1992).

But when seen practically schools are not autonomous with regard to financial management.

## **1.2 Statement of the problem**

Education is one of the priority social sectors in poverty reduction strategy of Ethiopia. It is one of the sectors that consume the largest share of the country's budget. When

evaluated against its national benefit and return, such greatest priority in budget allocation for education is not amazing. If one agrees that education is the sector on which the largest share of national finance is invested, it follows that proper management of educational finance is mandatory.

Education's financial management problem are generally known and acknowledged by its managers. Manager's efforts to correct these problems, however, need to be improved specifically, action needed to be taken by top managers to more effectively communicate their emphasis on and expectations for implementing financial management improvements (Robert et.al 1987:29).

The management of finance in Ethiopia is structured in a way it should fit in-to the structure of the Federal Government. These are central Government, Regional Government or state, Woreda and kebele(schools).

Given the Federal nature of the political system, regions and woredas are the main implementers of the general education components of ESDP IV. Indeed, regions receive their budgets directly from MoFED and they are free to allocate it within their own set of priorities to respond to their particular circumstances.

In order to achieve a coherent implementation of ESDP IV, the Federal level will work closely with the regions, to provide technical guidance for the preparation of the regional plans and to engage in joint operational planning and monitoring of ESDP IV implementation.

Finance plays a great role in the overall process of the education system. Because the budget is the heart of the management process, affecting all management decisions directly and indirectly. Sound educational planning will reflect both immediate and long-term program development so that local educational goals may be achieved in a systematic way, (Jordan,1985:152).

However, the scarce resource and inefficiency in the financial management are existing problems of the school management.



It is believed to be very important, therefore, to assess the financial management practices of Jimma Zone government secondary schools and investigate the problems experienced in the financial management system and whether the decentralized financial management system in secondary schools is practiced or not and to pin point the problems schools are facing in financial management and to give possible recommendations for school administrators and policy makers.

In this regard the study of the schools financial management is unquestionable. So, this study attempted to answer the following basic questions.

1. What are the existing practices of school financial management at Jimma Zone secondary schools?
2. How is financial management in secondary schools educational system structured vis-à-vis the decentralized educational management system?
3. How does woreda Finance and Economic Development Office provide support to secondary schools in accounting, controlling and auditing to facilitate their work?
4. What structural levels are accountable to plan budget, control and carryout financial management in secondary schools?
5. How is the auditing system in Jimma Zone government secondary schools?

### **1.3 Objectives of the study**

#### **1.3.1 General Objective**

The main objective of this study was to assess and analyze the financial management practice and problems of Jimma Zone government secondary schools and to contribute to the development of research based financial management knowledge

### **1.3.2 Specific objectives of the study are:**

1. To investigate whether the school financial management system in secondary schools is structured in accordance with the decentralized educational management system or not.
2. To assess whether school administrative personnel are competent enough to carry-out the work of financial system.
3. To assess whether woreda financial office provides support to secondary schools so as to facilitate their budgeting, accounting, controlling and auditing works .
4. To make some relevant recommendations on the prevailing problems.

### **1.4 Significance of the study**

The findings of study may investigate the practices and problems of Jimma zone secondary schools financial management and to make recommendations for educational personnel at different levels. Due to this, the study may have the following potential values:

1. It may serve as a basis to assist educational planner and policy makers.
2. It may assist higher financial officers to determine functions and responsibilities of school and allocate resources accordingly.
3. It may help the implementers to use allocated budget for the purpose it is intended.
4. It may use as reference material for future researcher who wish to investigate the situation in depth.

### **1.5 Delimitation of the study**

The study was geographically delimited to assess government secondary schools of Jimma zone with the target area of seven secondary schools. Conceptually the study was concentrated on the financial management (planning, budgeting, accounting, controlling and reporting) ability of these schools. It was also focused on the availability of the necessary budget, financial personnel and their relation to the next level and factors such as educational background; experience and structure of these schools.

## **1.6 limitation of the study**

It was obvious that research work could not be free from constraints. For this matter, this study was also constrained with both shortage of time and finance, as a result of this fact, all secondary schools in the zone could not be incorporated as data sources although they were believed to provide resourceful information regarding the overall practices of financial management system.

Similarly, most of secondary school principals, vice principals, teachers in PTA, head of woreda education offices and woreda finance and economic office were burdened by routine office and teaching activities and they were not loyal to fill the questionnaires and interview on time and asked the researcher to use his full effort to get back all the questionnaires in the time period. Another limitation was lack of recent and relevant literature on the topic, especially on Ethiopian condition. In spite of these short comings, however, it was attempted to make the study completed as possible.

## **1.7 Definitions of operational terms**

**Accounting auditing:** inspection of a firm's books and a final statement of account (Rosenberg, 1983:36).

**Accounting controls:** the plan organization and the procedures and records that are concerned with safeguarding the assets and assuring the reliability of financial records (Rosenberg, 1983:36).

**Accounting:** the art of Science, interpretation, and organization method of recording all the transactions affecting the financial condition of an organization (Rosenberg, 1983:7).

**Budgeting:** The process of determining and assigning the resources required to reach objectives (Rosenberg,(1983:73).

**Finance audit:** periodic or continuous verification of the stated assets and liability of company or other organization.

**Financial management:** is that managerial activity, which is concerned with the planning and controlling of the firm's financial resources.

**Internal Auditing:** is a means of controlling overall performance in the organization (Pandy,1983)

## **1.7 organization of the study**

This study is divided in to five major chapters. The first chapter deals with the problem and its approach. The review of related literature is presented in chapter two, chapter three focuses on the methodology of the study. The fourth chapter in its turn focuses on the presentation and analysis of data. Chapter five addresses itself to summery of the major findings, conclusions and recommendations.

## **CHAPTER TWO**

### **2. Review of Related literature**

#### **2.1. The concept of management and financial management**

It is essential first, to review the concept of management to use it as a stepping stone to discuss financial management.

##### **2.1.1. The concept of management**

Agrawal (1994:10), stated that “Management is a universal process in all organizational activities. it is not only the business enterprise that need management but all kinds of organizations need this vital force for the scarce resource in optimum, productive relationship” .

Griffin (1990:7), defines “management as a process of planning, organizing, leading and controlling, organizations and human, physical, financial and information resources to achieve organizational goals in an efficient and effective manner.”

##### **2.1.2. The concept of financial management**

Clarke (2008:278), describes financial management as follows: “It is essential that the school principal makes sure that she/he has the knowledge and understanding of the basic process involved in managing the school’s accounts, the budgeting process, the systems and controls that are necessary to ensure that the school’s monies are not misappropriated.

Momeniat cited in Erasmus (2008: 402), explains financial management as a requirement of manager to take responsibility for the actions and achievements in exchange for greater managerial discretion over their inputs. Thus, managers have to take responsibility for their performance.

Van wyk (2004;411) , states that the objective of finance management in the public sector is to support management in the allocation of limited resources with the purpose of ensuring economy and efficiency (and effectiveness) in the delivery of outputs required to achieve desired out comes that will serve the need of the community (school).

Brokinghton (1987:9), defines financial management as follows:

Financial management is that part of the total management function, which is concerned with the effective and efficient rising and use of funds. It must be operated with the framework of clearly understood objectives and based on logical concepts.

Campsey (1987:7), noted that the main function of financial management is “to plan acquire and utilize funds in order to maximize the efficiency and value of the enterprise.” Financial management is identified with two primary functions: financial planning and financial control.

Bhagia et.al (1990:138), also explain that financial management involves a number of functions, including forecasting, planning the application of funds and their control. The task of financial management is therefore, to facilitate the achievement of organization objectives by obtaining financial resources and then using them profitably and effectively (Dixon,1986:1).

Financial planning (with any management planning) lays down an orderly approach to future actions Overall, this effort leads to comprehensive programming and budgeting of future operations.

According to Dixon (1986:10), the planning function involves a number of steps: Identifying opportunities, determining goals and objectives evaluating alternatives that might lead towards the goals of policy formulation, quantification, communication, implementation and review.

Financial management (as with any management control) assigns organizational responsibility for the executions of approved plans. The general effort is translated into the following specific controls: establish standards for measuring performance in terms of costs and output, and compare actual cost and output with the standards: assess the variances between actual and standard, especially in relation to who is responsible and then take appropriate action either to improve performance or revise planned targets in terms of costs and output. Financial accounting is identified closely with financial control, for it provides the principal tools for establishing standards, gathering the evidence as to actual

performance, and lying all relevant data before the proper managers for their study and action (Weston and Brigham, 1968:17).

The process of managing is decision making that is choosing among alternatives. The job of the financial manager is to accomplish his/her tasks, both episodic and day-to-day financing, through people. Thus, there are two aspects of management.

1. The general management activity working with people and
2. The specific functions or activities – what is done (Weston and Brigham, 1968:8).

Finance is always included on most statements of basic operation of business because financial activities are crucial for the well – being of a firm and play a strategic role in the performance of all general functions of management.

Block and his associate (1992:11), specifically try to sight the area of responsibility and direct concern of financial management,

“ It is the responsibility of financial management 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.”

Robert et.al (1987: 237), pointed out four major activities that the financial management involves:

- Conversion of accounts receivables to cash receipt
- Conversion of accounts payable to cash disbursement
- Clearing of the bank by cash disbursements and
- Maximization of cash and utilization of cash .

Okumbe, (1998:196) said, “financial management in education is concerned with the cost of education, source of income to meet the educational cost and the spending of the income in an objective manner.”

Levacic (1995:63-64), lists standards sequential stages of financial management in school as follows:

1. The first stage is acquisition of resource
2. The second stage of the financial management is allocation of resources and planning the budget.
3. The third stage of the budgetary cycle is its implementation
4. The fourth stage of the financial management cycle is evaluation of the implementation of the budget plan.

## **2.2 The function of financial resources in schools**

Aggrawal (1995:244), noted that educational finance is needed for the following purposes:

1. Opening of education service
2. Maintenance of normal education service
3. Expansion of education service
4. Expansion of educational facilities
5. Removal of disparities in educational opportunities.

No organization can exist or accomplish its functions effectively without adequate financial resources at its disposal. Money is needed to pay staff, maintain the plant and keep services going (Ozigi, 1995). This is true of the educational organizations too. The managerial and instructional personnel of the levels of programs, materials to be used and all other essentials need money (Adesion, 1990). It is very essential particularly, at school level where the actual teaching learning activity is performed.

The amount of finance available to schools and the way it is utilized influences the quality of their performance. So, this resource needs to be managed properly in order to enhance its contribution to the betterment of the quality of education (Lockhed and vers poor;1991).

In order to establish good financial management, educational managers at different levels, must be equipped with necessary information that will enable them to answer questions that can strengthen the proper utilization of finance. In line with budget which is expressed



in monetary terms, is a quantitative statement of the resources set aside to enable the organization to plan, organize, direct and control (Schick, 1992).

Adesina (1990:14), said that in administrating the school budget, the primary concern is to ensure that the result achieved by the school system justify the financial outlay.

The concern is not as many believe, to direct attention to keeping expenditure in line with that the plan specifies. When emphasis is laid too much on the amount to be spent or keeping expenditures without limits the value of educational out comes is then played down.

Brigton, (1965:46) indicated that school current expenditures fall in to seven major categories.

1. Administrative: services which cannot be directly attributed to educational activities such as salary or allowance of administrative personnel and support staff.
2. Instruction: a) salary of instructional personnel b/ cost of instruction materials
3. Operation plants: consists of day to day activities, such as cleaning, heating ground care, light, water, power and telephone.
4. Maintenance: function of the school system associated with up keep repair and replacement, which ensures continuous usability of the physical part equipment and services: clinic services, medicines and others.
5. Health and other services: clinic services, medicines and others.
6. Fixed charges: utilities, insurance and interests.
7. Capital outlays: expenditures for land and existing buildings.

-Education expenditure by its nature summarized as follows:

1. Recurrent expenditure and
2. Capital expenditure

### **2.3 Development of decentralized financial management system**

Decentralization is explicitly defined by USAID (1997:3), as the transfer of legal, administrative and political authority to make decisions and manage public functions from the central government to field organizations of those agencies, subordinate units of government, semi autonomous public corporations, area -wide developmental authorities, functional authorities and autonomous local government and nongovernmental organizations.

Political and administrative decentralization constitutes one –category of decentralization types. Political decentralization refers to the shift of decision making power from center down to the grassroots level to create semiautonomous government sections. It aims at empowering including the public in the localities. The focus of this innovation is thus to gain public support and there by strengthening the governance power of the nation. Administrative decentralization, on the other hand, emphasizes on delegating managerial authority and responsibilities to subordinates or partially authorized units within a given system. In this form of decentralization, political authority remains in the hands of top executives of a particular system with little intervention of local politics and community in designing and implementing organizational tasks (Ayalew, 1995: 9-10).

The models of highly decentralized (devolution) educational systems are indicated on the basis of world experiences in the late twentieth century. Some of these include the market model, the charter model and the local support model. The forms of governance are essentially reflecting the idea of self management of schools with substantial autonomy of the schools depending on local needs and broad national goals (Caldwell and Spinks, 1992:192). In spite of certain variations among such forms of management, school based management (in the USA) local management of schools (in the UK) and self – management of schools (in Australia and Newzealand) have been devised in order to ensure increased efficiency, curriculum relevance and effectiveness of schooling through The active involvement of teachers and clients in the decision making process.

The argument between the proponents of centralization and decentralization are often reflecting a diametrically opposite views (though some take the medium position) regarding the issues of equity, efficiency and quality.

The major motives to claim for increased decision making autonomy devolved authority of lower or local level management in the light of organizational effectiveness and development can be synthesized as follows:

1. Decentralization can minimize burden of the top managerial position, particularly in complex organizations. This will give the senior management the opportunity to deal with developmental activities or strategies so as to enhance growth and creativity of the organization along with the progress and impact of the supra system on the functions and out puts of the work concerns.
2. Delegation serves as a training ground for managers there by promoting sustainable management system. It dissolves the dependency feeling of implementers (at grassroots level of organization) and help them to put more effort to adopt the changing situations.
3. In decentralized management, decisions will be flexible, adaptable and nearer to the real needs of clients since the operation management and professionals are continuously and directly involved in realizing the achievement for there is significant difference between the notion of what should be (principle of theory) and what is happening (reality of practice). Mainly confronting or resting on the shoulder of the incumbents of implementers.
4. Higher degree of discretion of decision making authority may help contribute to both consolidation of governmental authority and satisfaction of subordinates. Thus, open communication, group decision making and collegial supervision (Mutual coordination) in a democratic atmosphere of decentralized management system enhance creativity and commitment of employees toward their profession and organizational objectives.
5. Decentralized structures can facilitate managerial efficiency since they give the operational managers the opportunity to deploy the easy available local resources

and to execute decisions rapidly unlike the detailed dictatorial directives of individuals at the apex of the organizational hierarchy. When authority is devolved, inputs from consumers (community) can enhance developmental endeavors of government there by facilitating the implementation of tasks (Carnau, 1995).

The argument whether decentralized or centralized model of management is commensurate to effectiveness of schools is underway in searching for the proper mix of local autonomy and accountability (Malphica, 1995: 160).

Successful achievement of organizational objectives is not merely attributed to decentralizing a system for there is no centralization in absolute sense (Bray, 1985: 194). The issue is maintaining balance between these extreme forms of management depending on the existing circumstances in a given context (Malpica, 1995: 160; Fiske 1996: 19.1; Carnall, 1995: 23; Werline, 1992:233; Fiske, 1996: 10.1) "Hybrid system which gradually divided responsibilities between the central system. The local administration and the users appear is the most attractive" (Hallack, 1990: 274).

Decentralization, when there is low demand on output or when resources are scarce, may lead to wastage unless resources are wisely utilized by better expertise of the central management. The intervention of top – level executives in controlling the decisions of subordinates (or localities) is supposed to be vital to maintain standard and to control wrong decisions of localities. Particularly where there are inadequate expertise and resources (Florestal and Cooper, 1997:6).

The development of decentralization in Ethiopia is related with the establishment of Transitional Government of Ethiopia in 1991. Fourteen regional states were created through proclamation, (TGE: 1992). It is after the political measures, initiated by the motives of freedom, equality and self determination that decentralized educational organization and management have been legally introduced. The central ministry has limited supervisory role in schooling at both primary and secondary levels. Regional Education Bureaus are generally authorized to manage educational programs excluding

tertiary education which in turn might have widened the variation of regions in terms of educational access and administrative capacity (Ayalew 2000).

Haillesselassie (1995:32), noted that strengthening the importance of decentralization at the school level stated that “staff participation should be meaningful and real. If employees have effectively participated in developing the budget goal and target, they will make special effort to see that the budgeting process succeeds that the school budget proposal will be presented for discussion at the general meeting of the school.

#### **2.4 Budget planning**

“Budget” is defined as a planned pattern of revenues and expenditures to achieve educational goals over a specified period of time (Jordan, 1985:152).

Prasanna (1999: 27-28), stated that a budget is “an instrument for detailed operational planning and control over a short period of time, usually one year.”

Grolier (1986:543), explained budget as follows: “a budget is a document itemizing anticipated receipts and expenditures over a period of time, most commonly a year.

Benson (1961:480), a budget represents the result of a detailed study of planned expenditures and revenues for a stated period, with the total sums of the two sides of the statement in balance, and with the financial data presented under an intelligible scheme of classification.

The educational budget is a financial plan for providing an educational program in school district for a specified period, usually one year. It shows the items and services which will be provided and the amounts expected to be spent on each. It also shows the revenue sources from which the district’s funds will be drawn.

Ukeje et.al. 1992:378), has defined Educational budget as “the translation of educational needs into financial plan which is interpreted to the public in such a way that when formally adopted it expresses the kind of educational program the community is willing to support financially and morally for a one year period.

Ukeje et.al.( 1992:379) , defined educational budget as “an educational plan with an estimate of the receipts and expenditures necessary to finance it for a definite period of time”.

Prasanna (1999: 27.8), summarized budgeting as follows;

1. It is relatively active and stress what should happen
2. It has an element of wish full thinking injected into it knowingly as it is used as motivating device.
3. The office of the controller, which coordinates the control function, prepares it.
4. It is prepared for a period of one year.

Condoli et.al (1984:128), indicated some of the benefits of budgeting as follows

1. It establishes a plan of action for the future.
2. It requires an appraisal of past activities in relation to planned activities.
3. It necessitates the establishment of work plan
4. It necessitates for seeing expenditure and estimating revenues
5. It requires orderly planning and coordination through the organization
6. It establishes a system of management control
7. It serves a public information system.

As Prasanna (1999:27), “the process of budget determination involves a great deal of negotiation between the subordinate and his superior at various levels in the organization.” Budgeting then, forces the administrator and staff to plan together what needs to be done, how it will be done, and who will do it.

According to Condoli et.al (1984:129-131), The types of budgeting are classified as: mechanical budgeting, yearly budgeting, administration dominated budgeting, centralized budgeting and site based budgeting.

Although there is wide agreement that LFM offers management flexibility, there is considerable disagreement about how resources should be given to schools. This is nothing new; there have always be differences of opinion on this matter but effect of LFM has been to bring these differences out in to the open for a more public discussion.

Historical budgeting is the traditional way of allocating resources to schools by calculating separately how much could be spent on each heading; teaching, non – teaching, fuel, care taking etc. Historical budgeting is a time consuming operation, is susceptible to lobbying, runs the risk of giving schools special consideration long after the special need has ceased to exist and, most strikingly, produces enormous discrepancies in per capital expenditure, even between schools of similar size, with similar buildings and in similar social circumstances (Downes, 1988:20).

According to Dixon (1986:10), the planning function involves a number of steps: Identifying opportunities, determining goals and objectives, evaluating alternatives that might lead towards the goals, policy formulation, quantification and communication, implementation and review.

Garrison and Noreen (2006:5), noted that the first step in planning is to identify alternatives and then to select from among the alternatives the one that does the best job of furthering the organization's objectives. Management accounting information plays a vital role in the basic management activities.

According to Eugene and Michael (2007:486), Finance is in a real sense the cornerstone of the free enterprise system. Good financial management is therefore equally important to the economic health of business firms, hence to the nation and the world.

According to Thomas (2006:15), planning normally addresses short, intermediate and long range time horizons. Planning is crucial to operating profitable business. Expressing

business plans in financial terms is commonly called budgeting. The budgeting process involves coordinating the financial plan of all areas of the business.

The planning of school finances usually begins with the drafting of budget (kruger 2005). According to Bisscholt (1979), a budget is the mission statement of the school expressed in monetary terms.

Mckinney (1995), argues that budgeting is an ongoing and dynamic process that is typically marked by regular phases, such as, planning needs assessment and priority setting. Budgeting is a forward looking process which should be guided by the schools vision for the future and a realistic assessment of the risk.

Organization of school finance should include aspects such as a drawing up a school financial policy; setting up a structure with in the school to handle administrative and financial matters; delegating certain function to clerks, class teachers and treasurer, and coordinating activities (Kruger 2005: Ntseto 2009).

Financial planning (with any management planning) lays down an orderly approach to future actions. Overall this effect leads to comprehensive programming and budgeting of future operations.

Mark (2001;12), stated that participative budgeting has frequently proved successful in creating a healthy atmosphere. This technique invites participation in the budget process by personnel at all levels of the organization, not just upper level managers. Information flows from the bottom up as well as from the top down during budget preparation. Because they are directly responsible for meeting budget goals, subordinates can offer more realistic targets.

The master budget is a group of detailed budget and schedules representing the company's operating and financial plan for a future accounting period. The master budget usually includes; operating budget, capital budget and preformed financial statements.

Formula budgeting is used to refer to the concept of distributing as much of the financial resources as possible according to a simple general formula. The crudest formula possible



would be simply to relate allocation directly to the number of pupils. This would clearly bring massive injustice since there is certain inevitable establishment cost involved in running any school, irrespective of size. A simple solution to this problem would be to give every school a lump sum and then use formula on top of that. Therefore, premises – related costs are distributed on a historical basis (which recognizes that school buildings are in very different states of repair) but the remainder of the budget is distributed by formula (Downes, 1988:21-22).

Pandy (1993:10), defines “a budget as comprehensive and co-ordinate plan, expressed in financial terms, for the operation and resources of an enterprise for some specific period in the future,” and he forwards the following budget process:

1. The determination of the proposes of the educational program.
2. The development of and educational plan to achieve the purpose agreed up on.
3. The preparation of a budget document to forecast the expenditure and revenue necessary to implement the educational plan during a started period.
4. The presentation, consideration and adoption of the budget.
5. The determination of the budget.
6. The appraisal of the budget

Pandey also mentions some major purposes of the budgets. These are:

1. To state firm’s expectations (goals) in clear, format terms to avoid confusion and to facilitate their attainability.
2. To communicate expectations to all concerned with the management of the firm so that they are understood. Supported and implemented.
3. To provide a detailed plan of action for reducing uncertainty and for the proper direction of individual and group efforts to achieve goals.

### **2.5 Fundamental Assumptions of Budgeting**

According to Guthrie et. al. (1988:23), for budgeting to be most effective, three critical conditions should exist: annually, comprehensiveness, and balance.

A budget, an organization's resource allocation plan, is intended to cover a fixed period, generally a year. The fiscal year for the majority of school districts begins on July 1 and concludes at the end of the following June, in the next calendar year.

An organization's budget should encompass all fiscally related activities, on both the resource and the expenditure sides. A budget may contain a variety of funds and accounts, such as instruction, salaries. What is important is that the budget and the budget process encompass all revenues received by an organization regardless of source or purpose. If a budget is not comprehensive, organizational resource may be accrued or utilized for purposes outside its leaders' control.

Balance is a third critical budget assumption: what is received by way of resource must not exceed what is spent. This is not to assert that all organizations must always live within their immediately available resources. Certainly, resources can be borrowed and paid back later. Borrowing money to construct a long lasting building makes good sense. If they are out of balance, again an organization is out of control.

## **2.6 Financial management guidelines of Ethiopia**

In Ethiopia, as to the mandate given to the Council of Ministers, financial guidelines regarding the administration of payments and deposits of public money stated clearly in the proclamation No. 17/1997, Article 21-24 describes about the payment guidelines as follows:

**Authority:** payments shall be made only if they are appropriated.

**Payment vouchers:** no payment shall be made unless it is adequately vouched; and public bodies shall complete payment voucher for all payments in accordance with directives issued by the Ministry of Finance.

**List of Authorized persons:** 1) the head of every public body shall establish and have maintained a list of employee whom he or she has authorized to sign the documents referred to in these regulations 2) such lists shall be circulated to the senior financial

officer of the public body, the head of the Internal Audit of the public body and the Ministry of Finance.

**Mode of payment:** payment shall be made by means of cash, cheque, letter of credit, bank transfers or payment orders. In accordance with directives issued by the Ministry of Finance whose fundamental principle is that no payment is effective unless there is a budget allocated for the disbursement or expense. Within this boundary, the organization can make the payment through cash, cheque, and other methods as it is stated in the proclamation. However these payments can only be made after the proper voucher raised. Furthermore according to the proclamation, the organization should notify the Ministry of Finance and its own account and internal audit section about the lists of designated people who are actually permitted to sign on the documents and cheque of the organization. In the case of the receipt and deposits of public money, Article 31 and 32 clearly state the procedure of the collection and the deposits of the public money.

**Receipt of public money:** 1) for every sum of the money collected on behalf of the Federal Government of Ethiopia, a serially numbered official receipt of the Ministry of Finance shall be issued. 2) for every remittance received, including cash transfers from Ministry of Finance or other public bodies, whether they are in the form of cash, cheque or bank transfer, an official receipt shall be issued to the remitter by the receiver.

According to Blue print guidelines of MOE (1994:54), the objective of education finance is to strengthen decentralized educational system, financial management system at Woreda level and also at school level and to develop relevance and quality education in the county and also the source of finance for schools.

In poor countries like Ethiopia the main source of finance and improving education is the responsibility of the government. The major sources of educational finance are government budget, schools internal revenue, community contribution and non-governmental organizations, (Blue print guideline of MOE1994:58).

Mekonnen workie, (1992:24-25), summarized sources of educational expenditure as follows.

The Ethiopian educational expenditure is financed through the joint contribution of government capital budget and foreign sources. According to the MOE's manual, these sources can be classified in three headings; government, capital budget and loan that is generated by IDA, ADF and OPEC, and bilateral assistance. In the category of multilateral aid agencies, UNICEF, UNESCO, UNDP and UNFPA are included. Whereas bilateral assistance refers to the aid donated from developed countries.

According to the blue print guideline of MOE, at present schools have no efficient human power and experience to manage all capital and recurrent expenditure at school level. For this reason on budget allocation, the responsibility of managing non- salary recurrent expenditure budget is the responsibility of schools. The allocation of budget is depending on the number of students at each level of the schools. Currently minimum non-salary expenditure for each student for primary school (1-4) is 10 birr, for primary second cycle (5-8) for each student per year is 15 birr, for secondary school first cycle (9-10) 20 birr and for secondary second cycle (11-12) 50 birr for each student per year.

## **2.7 The planning and budget process**

The strategic plan is converted into the shorter plan for the next battle which we might call a tactical plan – perhaps an annual plan accompanied by budgets – monitored and revised monthly. With each phase that is covered by a single tactical plan, there will be many operations and each must be planned. We call this an operational plan. We cannot afford to lose too many operations if we are not to lose the battle, just as we cannot afford to lose too many battles if we are to win the war. Therefore, each operation, and each task within it is important (Chambers,1992:5-6).

David Morton cited in Knight,(1998:1) “A recent study conducted by the European Union on why it could not understand what the British were planning to do revealed that they were not planning to do anything.’ He went on to describe the British as ‘the world’s great underachievers’ at planning, concluding that we are by nature great improvisers. At improvisation we would win the world cup”.

Knight (1998:6), stated that the experience of schools and colleges in UK looks like the following:

- The predominant frequently overriding concern of school leaders was to ensure the consistent delivery of a good school experience for every pupil in a largely consistent and known world.
- The preoccupation of this concern with passing on a known and valued inheritance reduced long- term planning to a subordinate position in the hierarchy of activities, which most school leaders routinely undertook.
- Probably as a result of this such long- term planning and thinking as did take place was most often conducted in the heads of one or two senior staff of a policy statement or instruction to staff which it was intended, would bring about changes designed to put right that were not working well in the present systems.
- Such thinking/planning therefore almost always occurred as a reaction (even if an imaginative one) to present deficiencies.
- As a result, such planning owed little to the systematic consideration of the school's fundamental purposes and current ways of meeting them.

There are several alternative approaches for strategic planning. The systems analysis approach is discussed under. The overall systems analysis approach therefore has two parts (Knight, 1998:12-13).

1. Strategic positioning – a review of the organization's current place in its own external and internal working contexts.
2. Systems analysis – a step- by step examination of the organization's objective and the various processes by which it currently seeks to achieve these.

### **2.7.1 Budgeting process**

During the first half of the twentieth century, budgeting evolved as an accepted pattern for government agencies (Jordan, 1985:151) the main resource to expand education in many countries is the budget that comes from the government treasury. Government

budget, foreign aid, foreign loan and community contribution are source of budget for education. The criteria to allocate budget for education in Ethiopia include the following: last year's budget, the performance of the first nine months, the program of the bureau and the priority of the organization. Budget share of education from the annual regional budget has increased continuously. However, there is still shortage of budget for education, especially for running costs (Demena. 2004:72).

Budget for school serves as a guide to financial planning and program management to permit orderly operation for a stated period. The basic function of a budget is to serve as an instrument for planning so that the educational program will not be interrupted or achieving accounting ability both external; internal accountability may be viewed as management control whereas external accountability may be viewed as the opportunity to communicate with constituents about the goals and objectives of the school district. Therefore the budget is more than a list of figures (Jordan: 151-152).

Because the budget is the heart of the management process, affecting all management decisions directly or indirectly, sound educational planning will reflect both immediate and long-term program developments so that local educational goals may be achieved in a systematic way (Jordan, 1985:152)

### **2.7.2 Budget development**

In the Ethiopian history, the budget proclamation which was unique in its kind for the first time, was published at the end of 1944. This is stated in Bulcha (1967:372) the law lays down that the receipts of the government treasury of what over nature they may be, shall only be expended in conformity with the annual budget filling the sums to be at the disposition of each ministry. The annual budget shall be framed on the basis proposed by the Ministry of Finance during deliberations in the chamber of deputies and in the senate, whose resolutions shall be submitted for the approval of the Emperor.

The Federal Democratic Republic of Ethiopia (FDRE) as per proclamation No. 4/1995 and Article 68/proclamation No. 57/ 1996, has given the responsibility to the Council

of Ministries to determine the definitions of power and duties of the executive organs of the FDRE. Recently, the Council of Ministers issued the regulation of the financial administration in proclamation No. 17/1997. In Article 12, proclamation No. 17/1997, the following principles are stated (Admassu, 2003:16).

1. Budget estimates of expenditure and revenues shall be prepared for the coming fiscal year.
2. The priorities established in the public investment program set the priorities of the capital budget.
3. No capital expenditure shall be included in the capital budget if it has not been approved in the public investment program.
4. Where a public body is permitted to retain and expand its revenues, such revenues shall be included in both its revenue and expenditure appropriation totals; no netting is permitted.

Preparation and submission of budget as summarized by Admassu, (2003:16) are the following:

1. Budget estimates shall be prepared in accordance with the financial limits and formats prescribed by Ministry of Finance and Economic Development (MOFED).

The management of cash is of major importance in any organization because cash is a means of acquiring goods and services. In addition, scrutiny of cash transactions is required because cash may be readily misappropriated.

2. Budget estimated of recurrent expenditures shall include a report of preliminary results of the first half of the current year and previous year's performance.
3. Budget estimated of recurrent and the heads of the public bodies shall sign capital expenditure.
4. The heads of the responsible public bodies shall sign budget estimates of revenues from taxation and other sources.

5. Budget estimates of current expenditures shall be presented and submitted to the MOFED for evaluation, any necessary revision and consolidation.
6. The budget estimated capital expenditures shall be submitted and presented to the MOFED for evaluation any necessary revision and consolidation.
7. Budget estimated of revenues from taxation and other sources shall be presented and submitted by the responsible public bodies to MOFED.
8. Budget estimates shall include estimate of all aids, in kind that the public bodies except to receive in the upcoming fiscal year including full details of the nature of the aid-in-kind and its estimated monetary value.

The approval of budget estimates go through two stages (Admassu, 2003:17):

1. Up on completion of estimates and any necessary revision and discussion with the heads of public bodies, the MOFED shall present the compiled budget estimates of recurrent budget estimates of capital expenditures to the Council of Ministers for review and recommendation.
2. The budget estimate recommended by the Council of Ministers shall be submitted to the council of peoples representatives. After approval, the budget estimates shall then be published in the Negarit Gezeta and notification shall be made on the approval estimates to the heads of public bodies.

### **2.7.3. Budget administration**

Compbell, et.al., in Haileselese (1995:30) stated about budget administration. “There are processes of implementation, managing the money, and accounting for its use. Once various components of an organization have agreed on planned recourses allocation for the forth coming fiscal year, it becomes cyclical to ensure that the resources are indeed allocated in accordance with the agreement and the expenditure is consistent with the budget.”

The budget committee is responsible to undertake the administration of the budget. Regarding the organization and function of budget committee (Garrison and Noreen



2006:5) stated, the budget committee made up of group of senior executives from all functional areas reviews alerts or approves the budget proposals and then refers the integrated package to the board of directors. Later when the plans have been put into practice the committee reviews the control reports, monitor progress in most cases, the budgets committee must approve any revisions made during the period.

The evaluation of the budget has the prime importance for the management of the school and the government as well. Harries (1985:124), stated that a budget appraisal can be performed while the budget is in operation, or after the budgetary period is terminated.

In the process evaluation may be bi-weekly or monthly: financial reports obtaining the current financial period and determining weather the unit is meeting its established organizational goals. There can be relationship between fiscal strength and specific unit adequately reaching its objectives.

The administration of educational budget according to OKumbe (1998:21), involve: budget control, that is it must be centralized. Coordinated and controlled to achieve the program effectively, develop work plans that are it enables the educational manager to have clear picture about the budget estimate, and implementation of the work plan.

Once different components of an organization have agreed on planned resource allocation for coming fiscal year, it becomes crucial to ensure that recourses are indeed allocated in accordance with the agreement, and that expenditures are consistent with the budget. It should be noted, however, that the budget should function as a guide in its administration to achieve the objectives of an organization.

## **2.8 Financial accounting, costing, auditing and controlling**

### **2.8.1 Financial accounting**

Some persons find it difficult to distinguish between accounting and finance. Accounting is primarily data gathering. Finance is data analysis for use in decision-making. Though accounting has become increasingly useful in recent years in providing the information necessary for good management decision, financial executives are responsible for analysis, planning and controlling. Financial decisions are crucial for the well being of a firm, because they determine the ability of the organization to obtain plant and equipment

when needed, to carry the required amount of inventories and receivables, to avoid burdensome fixed charges when income fall and to avoid losing control of the company Jae and Joel (1998:69-7).

Accounting is some times said to be the language of finance because it provides financial data through income statements, balance sheet, and the statement of cash flows. The financial manager must know to interpret and use the statements in allocating the firm's financial resources to generate the best return possible in the end. Finance link economic theory with the numbers in the area of production, sales research marketing, management or long-run strategy planning must know what it means to assess the financial performance of the firm (Block et.al., 1992:6).

The problem is future replacement of buildings and equipment is not included in provision of funds. Expenditures include "capital" expenditures for physical facilities, as well as operating expenditure because it is not considered as recoverable cost. The flow of assets through an expendable fund is the focus of attention, not profit from operations (Yalew, 2004:3-4).

In the accrual basis of accounting, revenue is recognized when realized and expenses are recognized when incurred without regard to the time of cash receipt or payment. The focus of the accrual basis of accounting is on the realization of revenue, the incurrence of costs, and the matching of revenue realized with costs expired (expenses). Adopting the assumption, that revenue is related when realization occurs and the related assumption that costs contributing to the realization of this revenue may be traced through the earning process requires the use of an accrual deferral system of accounting. Under the accrual basis; the accounting records are adjusted periodically to ensure that all assets and liabilities (and thus revenue and expanses are correctly stated (Mosich, 1989:31)

Under the cash basis of accounting, revenue is recorded only when cash is received and expenses are recorded only when cash is paid. The determination of income thus rests on the collection of revenue and the payment of expenses, rather than on the realization of revenue and the incurring of expense.

Use of the cash basis of accounting is not compatible with the matching principle. Consequently, financial statements prepared under the cash basis of accounting do not present the financial position or operating result of an enterprise in conformity with generally accepted accounting principles (Mosich, 1989:31).

A strict cash basis of accounting is seldom found in practice, but a modified cash basis (a mixed cash-accrual basis) may be used for income tax purposes. Under the modified cash basis of accounting, taxpayers who acquire property having an economic life of more than one year may not deduct the entire cost in the year of acquisition. They must treat the cost as an asset to be depreciated over its economic life. Expenses such as rent or advertising paid in advance also are regarded as assets and are deductible only the year or years to which they apply. Expenses paid after the year in which incurred are deductible only in the year paid. Revenue is reported for income tax purposes in the year received. However, in any business enterprise in which the purchase, production, or sale of merchandise is a significant factor, three transactions must be reported on an accrual basis (Mosich, 1989:31).

When we see the recording system in non-profit making organizations like schools, the cash basis of accounting is frequently used. Cash base accounting means reflecting only transactions where cash has been involved. No attempt is made to record unpaid bills or amounts owed to or by the school. However, it would be complete to use the accrual basis of accounting since it gives a more accurate picture of an organization's financial condition. Everyone has experience of keeping his own checkbook. This is cash basis accounting. A non-accounting can learn to keep a checkbook but is not likely to comprehend readily how to keep double-entire set of books on the accrual basis. Some none profit organizations, there for, use sometimes a modified form of cash basis where certain items are recorded on an accrual basis and other items on a cash basis (Yalew, 2004:6-7)

Many writers and professional institutions in the field define, explain and understand accounting concepts in different ways, all meanings given by those scholars and institutions are almost similar in their message with seven principles.

The generally accepted accounting principles (GAAP) according to Mosich (1989:11-30), are categorized as: business entity principle; continuity or going concern principle, revenue realization principle; valuation principle; matching principle; monetary principle, and disclosure principle.

Further different authorities interpret cost elements and uses of cost elements and uses of cost differently according to the cost and budgetary conventions within which they operate. Most authorities categorize the elements of costs. However, into direct cost. Indirect cost and over head cost.

Financial accounting will help to schools to provide the overall financial transaction and the accounting system. It serves as a tool to evaluate how far the budgetary plan is accomplished. It is obvious that the system laid to a good foundation and valuable data for the preparation of the budget for the consecutive fiscal year. Above all, it assists everyone in the school to work according to the education plan.

Accounting provides statically information and data regarding the educational program, personnel, finance, and business procedures of a school district. It expresses the actual functioning of the budget throughout the school year. Good accounting practice furnishes the means for appraisal, evaluation, and helps to build trust and confidence in the school district's program and procedure (Admassu, 2003:34)

The Department of Education Florida cited in Kimbrough (1968:359), mentions a guide of financial accounting for school activities.

1. Official receipt should be issued for all money received.
2. All money received should be deposited in a bank.
3. All money expended should be expended by check, except for small cash purchases paid from the petty cash.
4. Supporting documents should be kept for all expenditures made.
5. Bank reconciliation statements should be made each month.
6. Monthly and yearly financial statements should be prepared.

7. All audits should be made each year, and copies of the audit should be filed with persons having the authority.

Around forecasting and internal controls, the responsibilities of management with respect to cash according to (Mosich, 1989) are:

1. To assure that there is sufficient cash to carry on the operation.
2. To invest any idle cash, and
3. To prevent loss of cash due to theft or misappropriation. Cash forecasting is necessary for the proper planning of future operations and to assure that cash is available when needed but that cash on hand is not excessive. Internal controls are necessary to assure that the cash is used for proper business purpose and not wasted, misused or stolen; management is responsible for controlling and protecting all assets of a business enterprise. However, special problems exist in controlling cash because of its liquid nature.

Petty cash fund is placed in the custody of responsible employees thus serve to maintain control over cash without involved procedures for small payments. The size petty cash fund should be sufficient to meet the normal need for the small cash payments for a period of two or three weeks. As each cash payment is made, a voucher or receipt is placed in the fund. The voucher or receipts are reviewed and cancelled when the petty cash fund is replenished.

The petty cash fund is replenished when its cash is exhausted and at the end of the accounting period so that the expenses paid from the fund are recorded in the proper period and the year-end cash balance is stated correctly (Mosich, 1989:295).

### **2.8.2 The purpose of cost accounting**

Levin (cited in Nebyui 2000:193-199) notes that the term cost refers to the monetary value of all resources associated with any particular action, and their worth in the most productive alternative applications. A cost objective or center is anything for which a separate measurement is desired. It includes a product, process, function, persons, equipment, activities and departments for which cost can be attributed. The purpose of ascertaining the cost of a cost center or object is cost control.

Management's need for cost information is multidimensional. To list some: costing is used for estimating, bidding, planning, budgeting and controlling. No wonder the successful manager keeps a close watch on costs: it is necessary for survival. Cost accounting provides the tools that management needs to monitor costs. Even though different organizations have different cost classification, a typical cost classification is direct material cost. As to Herrington (1993:5), some of the questions alert management asks about cost include.

1. Is our plant operating efficiently and economically?
2. Which of our costs are out of line, and how can they be controlled?
3. Are our sales prices set realistically in relation to costs?
4. What is the unit cost of each type of product being produced?

The answers to such questions require detailed data based on computation that will pin point unit costs of products and processes. This is one of the major functions of cost accounting.

However, in modern system of cost accounting, it is possible to know how much it costs to construct, manufacture, or sell goods, or to render various services. The ability to make specific and detailed identification and measurement of cost elements permits management to reach decisions and to evaluate result with greater intelligence.

In certain trades, knowledge of the costs of doing business is needed to estimate a job or to bid for other jobs or contracts. The order generally goes to the lowest bidder. Under competitive pressure, the decisive difference in a bid may be as a little as a fraction of a cent per unit. Attempting to bid without detailed cost information can mean losing the job or it can mean winning the job but having to perform the work at a loss. Either result is undesirable (Herrington, 1993:9).

Harrington (1993:9), further explained that the cost accounting system also provides vital information needed to plan future operations. Cost data help resolve questions relating to proposed project or policies, such as the following:

- Should we build a new plant or modernize the old one?

- How far can we go in lowering prices to increase our volume of sales?
- What will be the effect on cost of automating part of our job operation?

Cost accounting is also used in preparing a company's budget since a budget is the overall financial plan for future activities. It is even possible to compute flexible budget that will tell what the costs of any volume of output should be, then actual costs can be computed with a realistic budget amount. Standard cost procedures are helpful in evaluating the results of operations. Unit costs are projected based on standard costs. These standards are often based on the experience of the firm or on statistics from the industry. Then as actual costs are incurred, they are compared with this standard costs. The difference between the two sets of costs of cost figures can be noted and investigated while there is still time to take remedial action.

From this brief description, it is obvious that cost accounting is one of the most valuable management tools to control operations. Knowledge of the costs of making and selling the firm's products or services helps the firm's officers weigh the various course action before they make any final commitments. Once operations begin, cost accounting tells them how efficiently the work is being done, where the strong and weak spots are, and how to improve performance. Nebiyu (2000:1), states that in education, the skills acquired by students can represent the outputs of the system while school infrastructure, books, instruction and student's efforts can be cited as some of the inputs that go to the education process (production). It implies, therefore, the role of cost accounting information to school management.

### **2.8.3 Auditing and controlling**

Different writers have issued different definitions of audit. Most of them commonly argue that even though there are different kinds of audits the general definition of audit is an examination to determine the propriety of representation. Wallace (1991:3) stated that these representations are financial. He also added that the more traditional definition of auditing is the process by which competent independent individuals collect and evaluate

evidential matter to form an opinion as to the degree of correspondence between what they observe and established criteria.

Spicer (1990:5), defined auditing as that involves the collection and evaluation of evidence about the performance and position of an entity or about information on that performance and position by a competent independent person with a view to reporting an opinion on the quality of that performance position or information as measured established criteria.

Flint (1992:5), defined auditing as a systematic process of objectively obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the result to interested users.

International auditing practice committee (in kamal Gupta, 1996:7) definition of auditing is “the independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size, or legal form, when such an examination is conducted with a view to expressing an opinion there on,”

According to Mautz (cited in kamal, 1996:7), “auditing is concerned with verification of accounting data, with determining the accuracy and reliability of accounting statements and reports.” Melbo in stoops and his associate (1980:155) state that auditing of school funds is essential because it inspires public confidence, render an account of stewardship and improves procedures. Stoops stated the objectives of an audit programs:

1. To safe guard money, property and employee.
2. To determine the adequacy of the methods of internal check.
3. To maintain adherence to the established standards, policies and procedures of financial accounting and operating
4. To check conditions and use of property and equipment, particularly from the stand point of adequate return.
5. To maintain and co-ordinate internal auditing procedures with those of the public account.



6. To present accurate, complete, and unbiased statistics with respect to the operation of the educational system.

As Samuel et,al, (2002:15), funds might be of three types:

1. Embezzlement or misappropriation of cash
2. Misappropriation of goods, and
3. Manipulations of accounting or falsification of accounts without any misappropriation.

According to Candoli et,al, (1944:192-193) audits may be classified by at least two criteria, In terms of time sequences and organizational affiliations. In terms of time sequences audits may be described as: pre audit, post audit and continuous audit. The second possible classification according to him also described as: internal audit and external audit. Depending on the importance of audit Parakash (1990:14-15), has put the following chief advantages of an audit.

- 1 It ensures the correctness of the accounts to a great extent
- 2 It enables the detection and prevention of frauds and error
- 3 A regular audit makes the staff alert and vigilant that the books of account and all other records are kept up-to-date.
- 4 The audited accounts enable the comparison of accounts from year to year.
- 5 The management, whenever, needed may consult an auditor and he may offer expert advice to improve the accounting financial as well as other set up of the concern although he may not be compelled to do so as it is not a part of his duties.
- 6 Audit is undoubtedly, a great aid to continuous solvency.

In 1952 audit commission was formed in Ethiopia. In 1954 OAG was established by proclamation no. 79/1954. In 1958, the Government of Emperor Haileselassie I replaced the proclamation no.79/1954 by the decree 32/1958 which is cited as “Auditor general decree of 1958.” (Negaret Gazatta volume 2) this decree states that the department of auditor general shall be independent of all ministries, departments, and agencies of government. The purpose of auditor general as stated in the decree was to audit all

government organization and to report the result appearing in front of parliament regarding the budget utilization.

According to Yohannes (1994:66), objectives of 1987 declaration of the establishment of OAG were:

To ascertain that the financial management of government officer, mass organization, state enterprise and cooperatives, follow proper accounting procedures, that the manner of their revenue collection, fund disbursement and property management is in accordance with government rules and regulation and that carry out their program efficiently and economically with a view to attaining their objectives.

According to Mosich (1989:295), accounting control comprises the plan of organization and the procedures and records that are concerned with the safe guarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

1. Transactions are executed in accordance with management general or specific authorization
2. Transactions are recorded as necessary (a) to permit preparation of financial statements on conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (b) to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.
4. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

A system of internal control is not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur. In an effective system of internal controls, not one person should carry out all phases of a business transaction from beginning to end. For example, if one person was permitted to order for purchase, write check a payment, and record the transaction in the accounting records, there would be no protection against either fraud or error.

Separate and independent departments are essential for such functions as purchasing, receiving, selling, finance and accountant, to assure that no one department handles all phases of transaction Mosich, (1989:295).

The purpose of a system of internal control is to assure that assets that belong to the business enterprise are received when tendered, are protected while in the custody of the enterprise, and are used only for authorized business purposes; such a system consists of administrative control and accounting control from the statement on auditing standards No.1 from (Mosich 1989:294) are defined as administrative control includes but is not limited to, the plan of organization and the procedures and records that are concerned with decision processes leading to managements authorization of transactions. Such authorization is a management function directly associated with the responsibility of achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

For audit functions there is the long-term let us say five-year strategies plan for the overall development of the audit function, this is translated in to a shorter-term(usually up to one or two years) tactical plan of audit assignments to be conducted; in turn, each audit needs its own operational plan. This perspective on audit planning assumes a top-down planning approach; but there must also be bottom-up feedback to inform the more high-level planning process. The internal audit function's mission statements should define the overall objective of the audit function in two or three sentences at the most. It should be consistent with the mission statement of the enterprise as a whole. It might look like the following (Chambers, 1992:6):

Internal audits mission is to provide a constructive service to all parts of the organization. It selects operations for audit review where there may be significant potential opportunity to benefit from audit work.

The products of audit work are resource to management and the board that their system of control are economic, efficient and effective; and if not, persuasive advice to make them so.

Most audit functions have a tactical audit plan which schedules the specific audit projects to be conducted over a future audit cycle. The audit cycle may be 12 month or as long as 3 year-the tendency is for the audit cycle to become longer rather than shorter, and for some business activities to be excluded from the plan altogether. Some audit functions have a short cycle for high-risk business activities and a longer cycle for the lower-risk activities which there by receive an audit visit less frequently (chambers, 1992:7).

The institute of internal auditor's policy is to recommend that business should have audit committees of the board. Where they are not present, it is difficult to provide an adequate substitution in order to preserve audit independence. An internal audit committee, comprising the most senior executives of the business, can go some way to meeting the same need and in some businesses it exists alongside the audit committee of independent directors. (Chambers:1992:15).

The strategic plan for internal auditing function might project forward for three to seven years. For convenience, we shall assume a five-year time horizon. It is recommended we revisit the plan regularly-perhaps once a year. When we revisit it we take the opportunity to revise the plan in the light of changed business circumstances which had not been anticipated. We also take the opportunity to roll the plan forward further year so that we always have a plan for the next four or five years. With no strategic plan, it is likely that audit will not be well placed to meet the current needs of the organization, because this had not been anticipated far enough in advance in order to develop the audit function in time (chambers, 1992:23).

According to Institute of Chartered Accountants (1986:23), audit working papers will typically contain:

- A. Information which will be of continuing importance to the auditing
- B. Audit planning information
- C. Details of the auditor's assessment of the enterprise's accounting system and, if appropriate, his review and evaluation of its internal controls.
- D. Details of the audit work carried out, notes of errors or exceptions found and

action taken thereon, together with the conclusion drawn by the audit staff that performed the various sections of the work.

- E. Evidence that the work of the audit staff has been properly reviewed.
- F. Records of relevant balances and other financial information, including analyses and summaries supporting the financial statements.
- G. A summary of significant points effecting the financial statements and the audit report, showing how these points were dealt with.

In Ethiopia, auditing was established before fifty years. As Yohannes, (1994:65) indicated, the audit and control department was established by proclamation under the prime minister's office headed by an auditor general. According to him this was done subsequent to the financial regulation of 1942 which the first time was issued to prescribe modern financial and accounting responsibilities of government ministries and control and audit of government receipt and payments including budgeting.

After the revolution of 1974, the auditor general reporting function was amended to be the provisional military administrative until 1987 when he was made to report to Shengo by proclamation 13/1987 (Yohannes, 1994:65). Samuel et.al, (2002:32) indicated proclamation future states that auditor general who needs that OAG shall be elected by the national shengo up on presentation by the president of the republic and deputy auditor general who shall be appointed by the president. In 1997 the government state proclamation no 68/1997 to establish the office of audit general once of the article of the proclamation is read as "where as strengthening the audit system in the country plays an important role in providing reliable data useful for the effective management and administration of the national economy.

## **CHAPTER THREE**

### **3. Research Design and Methodology**

In this part of the study the research design, research method, source of data, sample and sampling technique, instrument of data collection, procedures of data collection and methods of data analysis were presented.

#### **3.1 Research Design.**

Descriptive survey research design was employed for this study. This method is chosen on the assumption that it helps to show the current status of Jimma Zone secondary schools financial management systems. The rationale for selection of this research method was that it is an appropriate method to describe an on-going process and trends. Besides, this method is appropriate for collecting information from a relatively large number of respondents under study (Cresswell).

#### **3.2 Research Method**

Both quantitative and qualitative research method was employed. Quantitative method is used to analyze the data obtained from close ended questionnaire. Besides, the qualitative part is used to analyze the data from interview, observation and document analysis by incorporating in the study to complement and to enrich the quantitative data.

#### **3.3 Source of Data**

In this study both primary and secondary source of data were used. Primary data were collected from school principals, vice principals, representative teachers in PTA, school financial personnel, head of WFEDO and head of WEO. To collect this primary data, interviews and questionnaire were used. These sources were chosen as data sources for; they are the immediate reference groups of the school financial task and they frequently deal with financial activities of schools and have adequate knowledge on the subject matter of the study.

The secondary data were collected from record offices of the schools. Moreover secondary sources such as directives and financial guidelines were intensively reviewed to come up with the appropriate information that facilitates the preparation of the study.

### **3.4 Population of the Study**

The total population of the study is 1100 that includes 778 teachers from 22 schools, 22 School principals, 44 School vice principals, 66 school financial personnel, 154 School Administrative workers, 18 head of Woreda Finance and Economic Development offices and 18 heads of Woreda Education Offices.

### **3.5 Sample and Sampling Techniques**

The study was conducted on 7 public secondary schools of Jimma zone. According to Jimma Zone Education Office, there are 22 secondary schools in the zonal level. In order to manage the data 7(30%) secondary schools were included in the study by using simple random sampling technique particularly lottery method.

Accordingly, Gembe, Seka, Yebu, Serbo, Sokoru, Dedo and Ambuye secondary schools were the sample of the study.

Purposive sampling technique was employed to select 7 school principals, 7 vice principals, 14 representative teachers in PTA, 21 personnel dealing with financial tasks, 7 head of Woreda's Finance and Economic Development offices and 7 head of Woreda education offices in which the total sample is 63.

### **3.6 Data Collection Instruments**

In order to obtain desired and relevant information the researcher employed questionnaire (both close-ended and open-ended), interview and document inspection as a means of data collection instruments.

Questionnaire was prepared for principals, representative teachers in PTAs, and financial administrative personnel. To collect data from schools questionnaire was chosen as an

appropriate tool because; 1) it provides respondents with freedom to fill whatever they feel without any external pressure; and 2) it helps to collect opinion from such sample.

The second data-gathering instrument was interview which helped to collect more accurate and supplementary opinion, so as to stabilize the questionnaire responses. With this in mind, interview was conducted with 7 head of Woreda Finance and Economic Development Offices and 7 head of Woreda education offices. Semi-structured interview items were prepared for the above respondents for the flexibility in which new questions could be forwarded during the interview based on the responses of the interviewee.

A number of financial documents was reviewed to gather data from the schools.

### **3.7. Pilot Testing**

Pilot study was conducted prior to the final administration of the questionnaires to all respondents. The pilot test was conducted to secure the reliability of the instruments with the objective of checking whether or not the items enclosed in the instruments could enable the researcher to gather relevant information. Besides, the purpose of pilot testing was to make the necessary amendments so as to correct confusing and ambiguous questions.

Accordingly, 1 principal, 1 vice principal, 3 financial personnel and 2 PTA member teachers of Jiren secondary school of Jimma special Zone were taken through purposive sampling technique to fill the questionnaire. The result of the pilot testing was statistically computed by the SPSS computer program. The Cronbach's Alpha Model was used for analysis. Based on the pilot test, the result was found 0.75 (75%) for PTA representative teachers and 0.80 (80%) for principals and financial personnel. Hence, it was reliable. That is the instrument was found to be reliable as statistical literature recommends a result of 0.65(65% reliability) and above as reliable.

#### **3.7.1 Validity of the Study**

To be sure of the face validity, senior colleagues and more experienced teachers in Jiren secondary school were invited to provide their comment after the pilot study was conducted. Based on their reflections, the instruments were improved before they were



administered to the main participants of the study. As results of the pilot test irrelevant items were removed, lengthy items were shortened, and unclear items were made clear.

### **3.8 Method of Data Analysis**

The researcher collected both qualitative and quantitative data from sample respondents. Quantitative data were analyzed using frequency, percentages and tables. Qualitative data were interpreted using thematic approach. The data gathered through open ended questions, interviews and observation were analyzed qualitatively through descriptive narration for the purpose of triangulations where necessary and some were analyzed separately.

### **3.9 Ethical Considerations**

Having received official letter of cooperation from Jimma university, the researcher communicated all institutions and participants legally and smoothly. The purpose of the study was made clear and understandable for all participants. Any communication with the concerned bodies was accomplished at their voluntarily consent without harming and threatening the personal and institutional wellbeing. The school records and information were kept confidential.

## **CHAPTER FOUR**

### **4. Presentation, Analysis and Interpretation of Data**

This part of the thesis deals with the presentation and analysis of the data collected from the sample respondents through questionnaires and interviews to address the basic research questions. Thus, the quantitative as well as qualitative analysis of data was incorporated in to this chapter. The qualitative part was supposed to be complementary to the quantitative analysis. Hence, the qualitative data includes the data gathered through interviews.

#### **4.1.Characteristics of the Sample Population**

Based on the sampling procedure described in chapter three, seven secondary schools and seven finance and economic development offices (FEDO) and seven woreda education offices (WEO) were included in the study. Forty- nine secondary school respondents (school principals, financial officers and PTA member teachers) were selected to fill the questionnaire.

The researcher distributed forty- nine copies of questionnaires for the same numbers of respondents and used his full effort which helped him to get back all the questionnaires. Interviews were made with seven head of woreda FEDO and seven head of WEO. The analysis was on the basis of information obtained from 63 respondents, seven W FEDO, seven WEO officers, 21 financial personnel 14 school principals, 14 teachers represented in the PTA.

**Table 1: Description of Respondents by Sex, Age, Qualification, Service and subject specialization**

No	Items		Respondents										Total	
			Principals		Financial personnel		Parent teacher association		Head of WEO		Head of WFEDO			
			No	%	No	%	No	%	No	%	No	%		
1	Sex	Male	14	100	19	90.4	13	92.8	7	100	7	100	60	92.2
		Female	-	-	2	9.5	1	7.1	-	-	-	-	3	4.7
		Total	14	100	21	100	14	100	7	100	7	100	63	100
2	Age	20-25 years	-	-	-	-	-	-	-	-	-	-	-	-
		26-35 years	6	42.8	10	47.6	9	64.2	2	28.5	4	57.1	31	49.2
		36-45 years	5	35.7	7	33.3	4	28.5	3	42.8	3	42.8	22	34.9
		≥ 46 years	3	21.4	4	19	1	7.1	2	28.5	-	-	10	15.8
		Total	14	100	21	100	14	100	7	100	7	100	63	100
3	Qualification	Diploma	-	-	8	38	-	-	1	14.2	3	42.8	12	19
		Degree	13	92.8	13	61.9	14	100	6	85.7	4	57.1	50	79.3
		MA/MSc	1	7.1	-	-	-	-	-	-	-	-	1	1.5
		Total	14	100	21	100	14	100	7	100	7	100	63	100
4	Experience	1-5 years	-	-	6	28.5	2	14.2	-	-	-	-	8	12.6
		6-10 years	3	21.4	11	52.3	2	14.2	-	-	1	14.2	17	26.9
		11-15 years	3	21.4	3	14.2	3	21.4	2	28.5	3	42.8	14	22.2%
		16-20 years	6	42.8	1	4.7	5	35.7	3	42.8	3	42.8	18	28.5%
		21 and above	2	14.2	-	-	2	14.2	2	28.5	-	-	6	9.5
		Total	14	100	21	100	14	100	7	100	7	100	63	100%
5	Fields of specialization	Subject. Sp.	14	100	16	76.1	14	100	4	57.1	-	-	48	76.1%
		accounting	-	-	3	14.2	-	-	-	-	7	100	10	15.8%
		Educational. Ad.	-	-	2	9.5	-	-	3	42.8	-	-	5	7.9%
		Total	14	100	21	100	14	100	7	100	7	100	63	100%

The results of the study in table 1 item 1 reveal that 92.2% and 4.7% of the respondents were males and females respectively. Thus, this indicates that the majority of the financial personnel at Jimma zone of selected secondary schools were male dominated. On the other hand, 92.8% and 7.1% of the teachers in PTAs were males and females respectively. This implies that the participation of both sexes found to be unproportional. The participation of female teachers in the sample secondary schools is low. The interviewees, head of WEO and head of WFEDO were all male respondents.

Regarding the age of the respondents 42.8% of the principals were between 26 and 35 years old, and also 47.6% and 64.2% of financial personnel and teachers in PTAs were fall between 26 and 35 years. About 35.7% and 33.3% of the principals and personnel were again fall between 36 and 45 and 28.5%, 57.1% of the respondents from WEO and WFEDO respectively also fall in to the years range of 26 and 35. The majority of respondents were fall between 26 and 45 years old. Hence this revealed that the majority of the respondents were matured enough to carry out the financial management activities.

In terms of academic qualification, the majority of the teachers in PTAs were first degree holders. While 92.8% of the principals and vice principals were first degree holders, only 7.1% of the respondent were second degree holders.

With respect to experience of the respondents-as shown in table 1, most of the principals (42.8%) and 35.1% of the teachers in PTAs respondents had 16-20 years of experience. While 52.3% of financial personnel had 6-10 years experience, 42.8% WEO respondents had about 16-20 years of work experience. 28.5% of WFEDO respondents had 16-20 years services. We can conclude that the majority of the respondents in the schools under study have long experience to carry out the financial management activities.

Regarding the field of specialization, the majority, 76.1% of the respondents are subject specialists. Only 15.8% and 7.9% of the respondents are accounting and Educational Administration respectively. This indicated that secondary schools financial management activities are carried out by representative teachers.

**Table 2: The practices of financial management in schools**

	Items	Respondents	Responses											
			Very high		High		Medium		Low		Verylow		Total	
			N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%
1	The Extent to which the administrative personnel are qualified in carrying out financial mgt activities	Principals and vice principals	1	2.8	2	5.7	4	11.4	7	20	-		14	40
		Financial personnel	3	8.5	5	14.2	6	17.1	5	14.2	2	5.7	21	60
		Total	4	11.4	7	20	10	28.6	12	34.3	2	5.7	35	100
2	The extent to which schools utilize the guideline of school financial mgt	Principals and vice principals	1	2.8	4	11.4	5	14.2	3	8.5	1	2.8	14	40
		Financial personnel	2	5.7	3	8.5	4	11.4	10	28.5	2	5.7	21	60
		Total	3	8.5	7	20	9	25.7	13	37.1	3	8.5	35	100
3	The ability of schools to use the allocated budget for its intended educational purpose	Principals and vice principals	2	5.7	3	8.5	4	11.4	3	8.5	2	5.7	14	40
		Financial personnel	5	14.2	8	22.8	3	8.5	4	11.4	1	2.8	21	60
		Total	7	20	7	31.4	7	20	11	20	3	8.6	35	100
4	The participation of teachers and administrative workers in financial mgt of schools	Teachers in PTA	1	2.1	-	-	8	57.1	1	7.1	4	28	14	100

As indicated in table 2 of item 1, respondents were asked about the qualification of administrative personnel in order to carry out financial management activities in their school. Accordingly, (20%) principals and vice principals and (14.2%) financial personnel, totally (34.2%) respondents replied that the administrative personnel were low in qualification to carry out the financial management activities in their schools, Whereas (11.4%) principals and (17.1%) financial personnel totally (28.6%) of respondents assured that the qualification of financial personnel was moderate. While the others (11.4%) and (20%) of the respondents replied as the administrative personnel were very high and highly qualified to carry out the financial management activities respectively.

With regard to the extent to which schools utilize the guidelines of school financial management, most of the respondents (37.1%) confirmed that the practices of using financial management guidelines were low. The others, 25.7% of respondents said that the practices of using financial management guidelines were medium. Only 8.5% and 20% of the respondents reported that the practices of using financial management guidelines of schools were very high and high respectively. This indicates that in the schools under study, the practices of using financial management guidelines was low and have negative impact on financial management systems.

As indicated in item 3 of table 2 the respondents were asked about the ability of schools to use the allocated budget for their intended educational purpose. The majority of respondents (31.4%) were reported by saying high. In the same way 20% of the respondents also reported that the schools under study have used the budget allocated for its intended purpose by very high rate. 20% of the respondents reported that the ability of schools using allocated budget for its intended purpose is medium. However, 8.6% of respondents revealed that the resource spent on intended educational purpose is also very low. From the above report one can conclude that most of the school finance was spent on educational related purpose.

As table 2 item4 shows respondents (teachers in PTA) were asked about the participation of teachers and administrative workers on the practice of the financial management of schools. While 57.1% of the respondents indicted that the participation of teachers and other administrative workers in financial management of schools was medium, 28.4% of the respondents show that the participation of teachers and administrative workers in financial management of schools was very low. It is obvious that low involvement of teachers and others may create some sort of unhealthy relationship and unnecessary rumors in the schools.

**Table 3: The Ranking of Respondents response about the sources of budget for schools**

	Items	Respondents	Responses		
			Frequency	%	Rank order
1	Government budget	Principals and vice principals	6	17.1	1
		Financial personnel	7	20	
		Total	13	37.1	
2	Foreign aid	Principals and vice principals	3	8.5	3
		Financial personnel	4	11.4	
		Total	7	20	
3	Foreign loan	Principals and vice principals	2	5.7	4
		Financial personnel	3	8.5	
		Total	5	14.2	
4	Community contribution	Principals and vice principals	4	11.4	2
		Financial personnel	6	17.1	
		Total	10	28.8	
		Total	35	100	

The response of the respondents indicated that the government budget was the first in rank from the other three sources of budget for school. The second was community contribution. From the other two sources of budget for school foreign loan the last ranked source of budget for school. The indication of this report is that still the major source of budget for schools is government. Community and other stakeholders have less contribution in being the source of budget for schools and need great attention and improvement to bring school-based management in every aspect.

**Table 4: Respondents' views about the budget preparations**

Items	Respondents	Responses									
		Planning committee		Principals		School administrations		department heads		Total	
		No	%	No	%	No	%	No	%	No	%
The annual budget plans in your school is prepared by	Principals and vice principals	5	35.7	4	28.6	5	35.7	-	-	14	40
	Financial personnel	13	61.9	4	19	4	19	-	-	21	60
	Total	18	51.4	8	22.8	9	25.7	-	-	35	100

As indicated in table 4 above, respondents were asked to indicate responsible body for the preparation of the annual budget of the school. Accordingly, the majority, (51.4%) of the respondents replied that the school planning committee performed the activity. While 25.7% of the school administration also involved in the school budget plan preparation. The others, 22.8% of the respondents responded that the school budget plan is prepared by principals. As indicated in the table, in the schools under study there was no active participation of department heads and teachers in school budget plan preparation. It is true that once different components of an organization have agreed on planned resource allocation for coming fiscal year, it becomes crucial to ensure that resources are indeed allotted in accordance with the agreement, and that expenditures are consistent with the budget. So, the less participation of teachers, department heads and other school components create problems on budget implementation practices.



**Table 5: Respondents opinion on budget release time**

Items	Respondents	Responses									
		July		August		September		October		Total	
		No	%	No	%	No	%	No	%	No	%
When is the budget allotted to your school released	Principals and vice principals	3	8.5	4	11.4	3	8.5	4	11.4	14	40
	Financial personnel	7	20	2	5.7	2	5.7	10	28.5	21	60
	<b>Total</b>	11	31.4	2	5.7	3	8.5	17	48.5	35	100

As indicated in table 5, the majority, (48.5%) of the respondents confirmed that the school budget is released in October and 31.4% of the respondents reported that the school budget was released in July, at the beginning of the budget year. As we observe from the table, the respondents indicated that the school budget released also in other times which indicates that the irregularity of budget disbursement for schools. The overall report indicates that the budget of the new year is approved after the new fiscal year is started. A budget, an organization's resource allocation plan, is intended to cover a fixed period, generally a year. The fiscal year for an organizations begins on July I and concludes at the end of the following June, in the next calendar year. So, the late arrival of budget to the schools have negative impact on the implementation of schools plan and objectives.

**Table 6: Respondents' views about the factors that affect the management of school finance**

	Item	Respondents	No	%	Rank
1	Inadequate accounting procedure	Principals and vice principals	1	2.04	8
		Financial Personnel	-	-	
		Teachers in PTAs	-	-	
		Total	1	2.04	
2	Poor financial planning	Principals and vice principals	2	4.08	2
		Financial Personnel	2	4.08	
		Teachers in PTAs	5	10.2	
		Total	9	18.3	
3	Un programmed closing period of Revenues	Principals and vice principals	1	2.04	6
		Financial Personnel	3	6.1	
		Teachers in PTAs	1	2.04	
		Total	5	10.2	
4	Lack of appropriate check and control	Principals and vice principals	1	2.04	5
		Financial Personnel	4	8.1	
		Teachers in PTAs	1	2.04	
		Total	6	12.2	
5	Misuse of finance by school official	Principals and vice principals	2	4.08	4
		Financial Personnel	3	6.1	
		Teachers in PTAs	2	4.08	
		Total	7	14.2	
6	The absence of trained personnel	Principals and vice principals	5	10.2	1
		Financial Personnel	1	2.04	
		Teachers in PTAs	4	8.1	
		Total	10	20.4	
7	The absence of rules and regulations	Principals and vice principals	1	1.04	3
		Financial Personnel	6	12.2	

Table 6 shows data on a list of factors which were supposed to have negative effect on the management of schools finance. As seen from the table, the absence of trained personnel (20.4%), poor financial planning (18.3%), the absence of rule and regulation (16.3%) and misuse of finance by school officials (14.2%) were ranked first to fourth respectively. The other listed factors, lack of appropriate check and control (12.2%), un programmed closing periods of revenues (10.2%), inefficient number of receipts (6.1%) and inadequate accounting procedure (2.04%), ranked fifth to Eighth respectively. The finding of this study implies that all the listed factors were affecting the school financial management process of the school although, the level of the influence of the listed factors were different.

**Table 7: Respondents' opinion on the solutions for factors that affect financial management**

No	Items	Respondents	Responses		Rank
			Frequency	percent	
1	Appointing trained financial personnel	Principals and vice principals	2	4.08	1
		Financial personnel	5	10.2	
		Teachers in PTAs	4	8.1	
		Total	11	22.4	
2	Maintaining regulars checks and control	Principals and vice principals	2	4.08	5
		Financial personnel	3	6.1	
		Teachers in PTAs	1	2.04	
		Total	6	12.2	
3	Establishing a system of internal control	Principals and vice principals	2	4.08	2
		Financial personnel	4	8.1	
		Teachers in PTAs	3	6.1	
		Total	9	18.3	
4	Securing appropriate financial planning system	Principals and vice principals	2	4.08	4
		Financial personnel	4	8.1	
		Teachers in PTAs	1	2.04	
		Total	7	14.2	
5	Establishing appropriate financial reporting system	Principals and vice principals	1	2.04	7
		Financial personnel	1	2.04	
		Teachers in PTAs	-	-	
		Total	2	4.08	
6	Maintaining the rules and regulation of finance	Principals and vice principals	3	6.1	3
		Financial personnel	2	4.08	
		Teachers in PTAs	3	6.1	
		Total	8	16.3	
7	Establishing regular and programmed closing period of accounts	Principals and vice principals	2	4.08	6
		Financial personnel	1	2.04	
		Teachers in PTAs	2	4.08	
		Total	5	10.2	
8	Providing with sufficient legal receipts	Principals and vice principals	-	-	8
		Financial personnel	1	2.04	
		Teachers in PTAs	-	-	
		Total	1	2.04	
		Total	49	100	

As shown in table 7, the respondents have ranked the proposed solutions for factors that affect financial management system. Accordingly, the solutions given to maintain a good financial management system in their respective schools were ranked as follows.

1. Appointing trained financial personnel
2. Establishing a system of internal control
3. Maintaining the rule and regulation
4. Securing appropriate planning system
5. Maintaining regular check and control
6. Establishing regular and programmed closing period of accounts
7. Establishing appropriate financial report system
8. Providing with sufficient legal receipts.

**Table 8: Respondents' views for a question who is authorized to approve the allotted budget for schools?**

No	Items	Respondents	Responses		
			Frequency	%	Rank order
1	The school planning committee	Principals and vice P.	3	6.1	3
		Financial personnel	4	8.1	
		Teachers in PTAs	3	6.1	
		Total	10	20.4	
2	The principal	Principals and vice P.	2	4.08	2
		Financial personnel	5	10.2	
		Teachers in PTAs	5	10.2	
		Total	12	24.4	
3	Teachers	Principals and vice P.	2	4.08	5
		Financial personnel	2	4.08	
		Teachers in PTAs	1	2.04	
		Total	5	10.2	
4	The school administration	Principals and vice P.	2	4.08	1
		Financial personnel	8	16.3	
		Teachers in PTAs	4	8.1	
		Total	14	28.5	
5	The department heads	Principals and vice P.	5	10.2	4
		Financial personnel	2	4.08	
		Teachers in PTAs	1	2.04	
		Total	8	16.3	
		Total	49	100	

As shown in table 8, respondents were asked to rank authorized bodies who were responsible to approve the allotted budget for their schools. Accordingly, 28.5% of the

respondents indicate that the school administration was the first body to approve the allotted budget for their schools. The other (24.4%) of the respondents indicated that the principals of the schools were ranked as second on approving the allotted budget for schools. 20.4% of the respondents ranked the school planning committee on third. Similarly, 16.3% and 10.2% of the respondents ranked department heads and teachers as the fourth and fifth approving bodies respectively. The indications of these responses were that the participation of department heads and teachers were rare and this may have impact **on the implementation of goals and objectives of the schools.**

**Table 9: Respondents’ response about income generating activities by schools**

No	Items	Respondents	Statistic		Rank order
			No	%	
1	Sales of straw	Principals and vice principals	3	8.5	3
		Financial personnel	4	11.4	
		Total	7	20	
2	Sales of trees	Principals and vice principals	4	11.4	2
		Financial personnel	5	14.2	
		Total	9	25.7	
3	Theater and sport	Principals and vice principals	1	2.8	5
		Financial personnel	3	8.5	
		Total	4	11.4	
4	Day students’ tuition fees	Principals and vice principals	3	8.5	1
		Financial personnel	7	20	
		Total	10	28.05	
5	Evening students’ fees	Principals and vice principals	3	8.5	4
		Financial personnel	2	5.7	
		Total	5	14.2	

As shown in table 9, Respondents were asked to rank the income generating activities that were undertaken with in their schools. The highest internal source of income was school fee which was 28.05% .The second highest internal source of income was from sales of

trees which was 25.7% and the other third internal source of income was from sales of straw which was 20%. The other internal sources of income were evening students' fees, theater and sport that were ranked fourth and fifth respectively. This implies that the school gets income from different sources and the amounts of income from these different sources were different.

**Table 10: Respondents’ opinion on reasons that might hinder budget allocation and utilization in schools**

	Items	Respondents	Responses											
			SA		A		PA		DA		SDA		Total	
			<b>N</b> <b>o</b>	<b>%</b>	<b>N</b> <b>o</b>	<b>%</b>	<b>N</b> <b>o</b>	<b>%</b>	<b>N</b> <b>o</b>	<b>%</b>	<b>N</b> <b>o</b>	<b>%</b>	<b>N</b> <b>o</b>	<b>%</b>
1	The budget allocation is not disbursed on time	Principals and viceP	4	8.1	5	10.2	3	6.1	1	2.04	1	2.04	14	28.5
		Financial personnel	6	12.2	7	14.2	5	10.2	2	4.08	1	2.04	21	42.8
		Teachers in PTAs	4	8.1	4	8.1	3	6.1	2	4.08	1	2.04	14	28.5
		Total	14	28.5	16	32.6	11	22.4	5	10.2	3	6.1	49	100
2	The budget allocation doesn’t coincide with the need	Principals and vicP	6	12.2	3	6.1	3	6.1	1	2.004	1	2.04	14	28.5
		Financial personnel	8	16.3	6	12.2	4	8.1	2	4.08	1	2.04	21	42.8
		Teachers in PTAs	5	10.2	4	8.1	3	6.1	1	2.04	1	2.04	14	28.5
		Total	19	38.7	13	26.5	10	20.4	4	8.1	3	6.1	49	100
3	The process of budget utilization is not suitable	Principals and vice	2	4.08	4	8.1	3	6.1	3	6.1	2	4.08	14	28.5
		Financial personnel	4	8.1	3	6.1	5	10.2	4	8.1	5	10.2	21	42.8
		Teachers in PTAs	2	4.08	3	6.1	2	4.08	3	6.1	4	8.1	14	28.5
		Total	8	16.3	10	20.4	10	20.4	10	20.4	11	22.4	49	100
4	Lack of trained human resources	Principals and vice	3	6.1	4	8.1	3	6.1	3	6.1	1	2.04	14	28.5
		Financial personnel	5	10.2	6	12.2	6	12.2	3	6.1	1	2.04	21	42.8
		Teachers in PTAs	1	2.04	2	4.08	4	8.1	3	6.1	4	8.1	14	28.5
		Total	9	18.3	12	24.4	13	26.5	9	18.3	6	12.2	49	100
5	Unplanned activities	Principals and ViceP.	2	4.08	3	6.1	4	8.1	2	4.08	3	6.1	14	28.5
		Financial personnel	5	10.2	4	8.1	4	8.1	6	12.2	2	4.08	21	42.8
		PTAs member teachers	3	6.1	2	4.08	1	2.04	4	8.1	4	8.1	14	28.5
		Total	10	20.4	9	18.3	9	18.3	12	24.4	9	18.3	49	100



Table 10 shows the profile of principals, vice principals, financial personnel and PTA members on the reasons that might hinder budget allocation and utilization on the five reasons with its scale. 38.7% of the respondents responses indicated that the highest reason that hinders the budget allocation and utilization was the budget allocation doesn't coincide with the need of the schools. 28.5% of the respondents' responses confirmed that the second highest reason was the budget allocation is not disbursed on time. The other 24.4% of the respondents' responses show that the third reason that hinders budget allocation and utilization was lack of trained human resources. The rests 20.4% and 16.3% of the respondents were said the unplanned activities and the process of budget utilization were the fourth and the fifth reasons which hinders budget allocation and utilization respectively. The finding of this study indicated that the reasons that hinder budget allocation and utilization affect the finance management in different levels.

**Table 11: Respondents' opinion on the accomplishment of auditing activities in schools**

Item	Respondent	Responses							
		Frequently		Rarely		Not at all		Total	
		No	%	No	%	No	%	No	%
To what extent is the auditing activities accomplished in your school?	Principals and vice principals	2	5.7	11	31.4	1	2.8	14	40
	Financial personnel	5	14.2	14	40	2	5.7	21	60
	Total	7	20	25	71.4	3	8.5	35	100

Table 11 shows the responses of principals and vice principals and financial personnel on the extent of accomplishment of auditing activity in the schools. Accordingly, while 71.4% of the respondents indicated that the auditing activity was rarely accomplished in the schools, 20% of the respondents indicated that the auditing activity was frequently done and 8.5% of the respondents confirmed that the auditing activity was not done at all. Most of the respondents' responses implied that the control that was on financial management

process of the school was very low. This may influence the proper utilization of resources in the schools.

Woreda Education and Finance and Economic Development Officials also confirmed that there was no regular auditing system in secondary schools. Auditing and controlling activities carried out only when problem was addressed and asked by WEO. This finding indicated that the absence of regular and pre auditing system in schools was one problem on financial management of secondary schools.

**Table 12: Responses of teachers in PTAs on Availability of school financial experts**

Item	Options	Statistic	
		No	%
Which of the financial personnel are missing in your school?	Accountant	6	42.9
	Finance and administration officer	8	57.1
	Treasurer	-	-
	Other	-	-
	Total	14	100.00

Table12 shows that respondents were asked about financial personnel those who were missing in the schools. Accordingly, 57.1% of respondents indicated that the finance and administrative officers were not assigned in the schools. However, 42.9% of the respondents indicated that accountants were not assigned in many schools. The responses that were collected through interview were supporting the result of these data. This implies that the financial management was implemented by non professional personnel and the schools under study did not structured in accordance with decentralized educational management.

**Table 13: Responses of teachers in PTAs on Budget Planning**

<b>No</b>	<b>Questions and responses</b>	<b>Statistic</b>		
		<b>No</b>	<b>%</b>	<b>Rank</b>
<b>A</b>	Which of the options are basis for spending school finance?			
1	Educational plans	1	7.14	4
2	Principals personal feelings	3	21.4	3
3	Activities in the teaching learning process	6	42.8	1
4	Salaries and educational services	4	28.5	2

As shown in table 13, the respondents were asked about the allotment of school finance to the educational purpose. In this regard, 42.8% and 28.5% of the respondents indicated that the basis for spending school budget was for activities of teaching- learning process and salaries and educational services respectively. The overall sense of response given for this item is that the majority of the of the school budget is used for its intended purpose.

**Table 14: Views of teachers in PTA on main source of school internal income**

No	Questions	Responses		
A	Main source of schools internal income	No	%	Rank
1	School fee	5	35.7	2
2	Community contribution	7	50	1
3	Rent of school facilities	2	14.2	3
	Total	14	100	

Table 14 shows the questions that the respondents were asked about the main source of schools internal income. Half (50%) of respondents indicated that the schools internal sources of income was from community contribution which was ranked first. School fee was the second source of internal income as supported by 35.7% of the respondents. The least source of internal income was gained from rent of school facilities

#### 4.2 Other Financial Management Issue

The response for “yes”, “no” questions were presented using tables below: the tabulated data is given in Appendix A.

Table 15: PTA member teachers, principals and financial personnel Responses on the availability of staff in the finance department

Item	Response	No	Percentage
Is the necessary staff for the financial department assigned in your school?	Yes	8	57.1
	No	6	42.9
	Total	14	100
Do you think that the finance department of the school handles the financial activities of the school properly	Yes	17	48.5
	No	18	51.4
	Total	35	100

As shown in table 15, item 1, 57.1% of the respondents reported that the necessary staff was assigned for the financial department of schools. However, 42.9% of the respondents reported that the necessary staff did not assigned for the financial department of the schools.

As shown in table 15, item 2, 51.4% of the respondents reported that financial departments of their schools did not handle financial activities properly. But the others respondents (48.5%) reported that financial department of their schools handled financial activities properly. This indicates that there was no significant number between the two responses.

Table16: Views on the availability of financial management and auditing guidelines for the schools

Item	Response	Principals and financial personnel	
		No	%
Does your school have financial management guidelines?	Yes	13	37.1
	No	22	62.9
	Total	35	100
Does your school have clear auditing Guidelines?	Yes	11	31.4
	No	24	68.6
	Total	35	100

Table 16, item 1 shows the responses of the principals and financial personnel on the availability of financial management guidelines for the schools under study. Accordingly, 62.9% of the respondents show that the schools under study had no financial management guidelines. However, 37.1% of respondents opposed the presence of school financial management guideline.

As shown in table 16, item 2, respondents were asked whether their schools have clear auditing guidelines or not. Accordingly, 68.6% were reported that their schools do not have auditing guidelines. Whereas 31.4% of respondents indicated that their schools have auditing guidelines.

**Table 17: PTA member teachers' Responses on whether the school finance is used efficiently and the budget is utilized during the fiscal year or not**

Item	Response	No	%
Do you agree that the financial resources are utilized by your schools efficiently?	Yes	9	64.3
	No	5	35.7
	Total	14	100
Does your school utilize the entire allocated budget during the fiscal year?	Yes	11	78.6
	No	3	21.4
	Total	14	100

As shown in table 17, item 1, 64.3% of the respondents confirmed that schools utilize their budget efficiently and 37.7% of the respondents indicated that schools do not utilize their budget efficiently. Even if most of the respondents responded positively, considerable number of respondents responded negatively. From these responses we can understand that the utilization of budget of schools was not highly effective.

Table 17, item 2 shows the responses of PTA member teachers on the presence of utilization of budget during the fiscal year. 78.6% of the respondents show that the allotted budget was utilized during the fiscal year. However, 21.4% of the respondents indicated that the allocated budget did not utilize during the fiscal year.

**Table 18:** Principals and financial personnel’s Responses on whether schools are engaged in income generating activities and the budget allocated is equal to the amount required or not.

Item	Response	Principals and financial personnel	
		No	%
Is your school engaged in income generating activities?	Yes	28	80
	No	7	20
	Total	35	100
Is the budget allocated to your school equal to the amount required	Yes	2	5
	No	33	94.3
	Total	35	100

As can be seen from table 18, item1, respondents asked about the income generating activities of the schools. The vast majority of respondents (80%) confirmed that the schools are engaged in income generating activities and considerable number of respondents (20%) indicated that the schools did not engage in income generating activities.

Table 18, item 2 shows the responses of principals and financial personnel on whether the allocated budget fit with the required amount. The vast majority of the respondents (94.3%) negate the fit between the allotted budget and the required amount of budget to the schools. Insignificant number of responses (5.7%) shown as the allocation of budget was equal with the required amount of budget in the schools. The most of responses of the respondents implies as there was insufficient budget allocation in the schools.



**Table 19:** Principals and financial personnel’s responses on whether budget transfer is possible from one code to the other and schools are autonomous regarding financial management and utilization

Item	Response	Principals and financial personnel	
		No	%
Is budget transfer in your school possible from one code to the other?	Yes	13	37.1
	No	22	62.8
	Total	35	100
Does your school autonomous with Regard to financial management and utilization?	Yes	16	45.7
	No	19	54.3
	Total	35	100

Table 19, item1 shows the responses of principals and financial personnel on budget transfer from one code to the other. (37.1) of the respondents indicated that budget transfer from one code to the other was possible and the others (62.9) of respondents reported as budget transfer from one code to the other is impossible. The indication of this response was that schools were not autonomous to use the budget allotted to their schools flexibly according to their need: which may in turn influence the school activities in one way or the other.

As indicated in table 19, item 2, 54.3% of the respondents confirmed that the schools were not autonomous to manage and utilize their budget according to their need and desire. On the other hand, 45.7% of the respondents reported as their schools were autonomous in budget management and utilization. From the above response we can conclude that on decision-making, budget management and utilization, schools were not autonomous .This may influences the school leaders to use their budget flexibly.

### **4.3 Discussion on Observation and Interview**

As confirmed by observation, each of the school under study has a separate office for its accounting task. However, most of the accounting offices do not have necessary office furniture and equipments and their overall arrangement do not enable them to accomplish the work in a good way. The researcher observed un arranged office for accounting work and miss placed files in each of the accounting offices and mixed with students documents. In majority of the schools under study, there was shortage of professional personnel assigned according to secondary school structure and regulation. Most schools have been carrying out their financial activities by non- professional subject specialist representative teachers.

According to the discussion made with head of woreda education office and head of woreda FEDO, budget allocation is based on the number of students population in the schools. There are two codes of budget that were allocated for the schools according the responses of these heads. These budgets are block-grant and school grant. The block grant was given based on the plan of schools and it was not given in cash. Schools prepared their plan to woreda education offices and according to their plan, educational materials are bought by woreda FEDO and sent to the schools. The responsibility of managing this budget was WEO. The other budget was school grant which was given in cash and was used for the improvement of quality of education. The source of this school grant was from foreign aids. WEO and school managements were responsible for the appropriate management of these budgets based on the responsibility that was given by the government.

According to the response given by the interview with woreda FEDO and WEO heads on the distribution of the allocated budget for schools, confirmed that the budget was distributed after the budget was allocated for WFEDO and WEO from regional government. . The implication is that no definite budgeting time schedule is set by the finance and economic development offices at woreda level.

The response given by the interviewee, the woreda FEDO used to support schools in budget preparation and auditing. According to the respondents report, no regular auditing period and they made auditing when they asked by WEO and where there is problem on financial management.

As respondents' response, no budget transfer is permitted from recurrent budget to capital budget and vice versa. It is not also possible to transfer part of the recurrent budget to salary and wage.

With regard to the accounting method used by the schools, all schools are using the double entry book keeping system. However, there is still a need to improve the system.

They were asked about the training of financial personnel's of schools and they respond that they only receive a short orientation and short discussion on some matters of financial management when necessary and that is not sufficient to improve financial management system at school level.

As indicated in the discussion with the interviewee, the Finance and Economic Development Offices capacity and willingness to give training about accounting, budgeting and auditing was not satisfactory. Therefore, if these employees are not given short-term training and workshop by the next higher office the financial management of the schools will be deteriorated.

According to the respondents, it is also hardly possible to say that the financial management of schools is structured in a decentralized system or otherwise. The possibility of even using the allotted budget by transferring from one code to other is hardly possible. Even the woreda Finance and Economic Development Offices receive their budget from the Regional Finance and Economic Development Office in the form of a block grant. They have no way to rearrange the budget allocated to them from one code to the other. It is only the administration function that is decentralized according their response. Viewed from the above –mentioned constraints and problems therefore, it is only gradually and with practical steps that the goal of establishing a workable school based financial system can be achieved.

## CHAPTER FIVE

### 5. Summary, Conclusion and Recommendations

This final chapter of the thesis presents the major findings, conclusions drawn and recommendations made.

#### 5.1 Summary of Major Findings

The major purpose of this thesis was to assess and investigate the practices and problems of current financial management system of Jimma zone secondary schools. Based on this the following findings were resulted .

1. The results of this study revealed that the major financial sources for schools are government budget. According to the respondents' responses the financial planning activity was dominated by the school planning committee and/or school administration respectively. As the study revealed, the involvement of different sections in budget preparation was seen to be very low in the schools under study. The participation of both department heads and teachers represented in the PTA was limited. As witnessed by the majority of the respondents teachers' participation in school financial affairs was low.
2. It was revealed by the respondents' responses that there was shortage of trained personnel in the schools accounts' offices. The study also pointed out that there was inefficiency of human power concerning financial management due to lack of different training and experience.
3. The majority of the respondents' responses indicated that there were income generating activities in their respective schools. It was ascertained by almost all of the respondents that the basic outlay amount was based on the educational purpose and the largest amount was spent for this purpose.
4. Regarding decision- making on budget preparation as revealed in the interview, instead of the schools management body, the higher governmental body at woreda level determined how the money should be divided into different types of budget in order to accomplish educational programs of schools. In the schools budget has not been regarded as a continuous process which required an adequate preparation starting from the first day of developing a new budget all the way through the

process of budget formulation, budget implementation and the budget review. Rather the budget of the schools for the fiscal year was prepared without adequate preparation. It was known only when the woreda Finance and Economic Development Office announced the budget call.

5. The Finance and Economic Development Offices to give training about accounting, budgeting and auditing was not satisfactory.
6. It was revealed by the respondents' responses that the amount of allocated budget was not sufficient to achieve the educational objectives set, and this in turn seriously put the quality of the educational program at risk. The study revealed that because of the bureaucratic hassle the budget of the new fiscal year was approved after the fiscal year work began.
7. The result of the study indicated that the auditing activity was carried out rarely. The result of the study indicated that timely auditing activities did not take place in line with the regulation of ministry of finance and economic development. The information obtained from interview pointed out that auditing of the schools is inclined to only controlling faults and approving expenses. Besides this, less emphasis was given to pre- auditing.
8. As observed, most of the accounts' offices do not have appropriate filing system for their journals, ledgers, work sheets trial balance, financial statements and other report forms. There were no accounting officers, budget officers and auditors for each school.
9. As ascertained through interview, budget is allocated for secondary schools sometimes per- student population and some other time by negotiation. No definite budgeting time is set by the woreda Finance and Economic Development Offices. No budget transfer is allowed from recurrent budget to capital budget and vice-versa. All schools under study are using the double entry bookkeeping system. The Finance and Economic Development Offices capacity to give training about accounting, budget planning and auditing was limited.
10. According to the respondents, it is hardly possible to say that the financial management of schools was structured in accordance with decentralized

educational management system. Only the administration function is decentralized. In general, schools freedom in using their budget according to their desire is not flexible

11. The respondents revealed that pre-auditing and ledger balance for budget control in the schools as well as by Finance and Economic Development Offices was conducted occasionally.

## **5.2 CONCLUSIONS**

Based on the above findings the following conclusions were drawn.

1. The respondents witnessed that the scarce educational resources allocated for the schools were utilized for the planned purposes. This is an encouraging and positive part of the schools financial matters. This in turn gives a way to accomplish the objectives of the education in general and the school in particular. The availability of skilled work force is inevitable as it has impact on the delivery of the program. Furthermore, it enables the schools to handle financial activities well. It also helps the schools to know how far the financial outlay goes to meet the target of the school activities. However, the result of this study shows that the trained and skilled financial personnel were not available in the school financial management and the financial work was carried out by non professional subject specialist teachers. Generally, the schools as organizations are characterized by lack of planning, diversity, and loosely coupled management.
2. The majority of the respondents' responses indicated that the allocated budget to achieve the educational objectives was not sufficient. Furthermore, even though the proclamation of regional state regarding financial administration states that the council of regional state should approve the budget appropriation by Sene 30 and public bodies shall be notified by Hamle 7, the budget allocation for new fiscal year gets approval of the woreda finance and economic development offices after the activities of the new fiscal year started. This in turn hinders the effectiveness of the educational objectives and programs.

3. There is no consistent accounting system over the woreda Finance and Economic Development Offices regarding the management of finance. Although the main purpose of financial audit is to verify the accuracy and completeness of the financial management, the audit section of the woreda Finance and Economic Development Office was found to be inefficient to perform its activities and its responsibilities accordingly. No definite budgeting time is set by the woreda Finance and Economic Development Offices. This may affect the schools plan in different way. The presence of pre- audit activities would help to protect the schools money from embezzlement and unnecessary wastage. Yet in the school under study, there was no timely auditing activities and effective internal control system.
4. The majority of the accounts' offices do not have appropriate filing system for their journals, ledgers, work sheets, trial balance, financial statements and other report forms. There are no accounting officers, budget officers and auditors for each school. It is also difficult to put a system of internal control under such situation. Lack of competent and trained work force usually ends up with weak performance. Generally incompetence of human power, lack of trained human power and inadequate training for staff members who work in the finance section were major problems investigated.

## **5.2 RECOMMENDATIONS**

1. In order to carry out the pre-planned educational programs effectively, the finance that is required for this purpose has to be available on time. To ensure this, the Finance and Economic Development Office is responsible for the budget approval. It has to approve and release the proposed budget of the schools at the right time as it stated on the proclamation of the regional state regarding financial administration. There must be regular auditing conduct and clear guidelines, to make sure, whether the activities handled as planned in order to carry out different educational activities effectively and efficiently. The auditing activities should be the major concern of the school management. The woreda Finance and Economic Development Office should check whether the allocated budget is used for its intended purpose or not. The school should also design methods of obtaining sufficient amount of money, for instance, by

developing internal income, contacting local NGOs, searching for community supports, etc, rather than completely depending on the budget allocated by the government and obtained from foreign aid.

2. Qualified and well trained personnel have to assigned for the betterment of the financial activity of the school instead of assigning individuals with no merit. Training establishes a sound relationship between the worker and his job. Therefore, training program regarding financial rules and regulation, protection and utilization of resources should be arranged and provided for all financial administrative employees of the schools.
3. The schools should secure the appropriate financial planning system. They can adopt consistent accounting procedure through the fiscal year. According to the generally accepted accounting principle (GAAP) requires the work done in the offices should be consistent. To this effect, the woreda Finance and Economic Development Offices can easily see the work of the schools with regard to handling the accounting transactions. It is helpful to make follow up on the system.
4. Since most aspects of the budget process involves the efforts of all staff members, each individual of the school staff should be seen as a person who can contribute to the preparation of budget. Therefore, the management of the schools have to invite all staff members and concerned bodies to take part in budgeting process to reduce the possibility of later misunderstanding and to gain individuals workers' commitment and acceptance when objectives are translated into action programs. Teachers should participate in the financial affairs of the schools.
5. Proper utilization of the allocated (available) budget serves as one of the most important measures that help to achieve the attainment of the educational programs. Payments should be settled timely in line with the rule and regulation of MOFED. The audit section of the Finance and Economic Development Department has to perform its activities according to the rule and regulations, and the responsibility attached to it. Moreover, the auditing section has to safeguard the schools from deviations, which entail financial wastage and corruption through regular follow up.



6. The woreda Finance and Economic Development Offices should properly control the utilization of government budget and accounting system of the schools through timely reports and should be alert to investigate and audit the school finance at least quarterly. Pre-audit and ledger balance for budget control in the schools should be conducted on time by Finance and Economic Development Offices. The schools should function according to the financial rule in order to avoid improper utilization of the budget.
7. All the account offices of schools can use appropriate filing system for their journals, ledgers, worksheets, trial balance, financial statements and other report forms. The WEO should appoint accounting officers, budget officers and auditors for each school if it is desired to manage school finance efficiently and effectively.
8. Definite budgeting time and consistent accounting system should be set by the woreda Finance and Economic Development Offices. Budgets allocated for schools per-student population and accounting to the magnitude of activities and internal income generating capacity of schools. This will motivate school leaders to be more effective and efficient in income utilization. Schools also be given the mandate to use their source of internal incomes, block-grant and school-grant for their immediate needs, rather than managed by WEO.
9. Woreda financial offices should audit schools at least quarterly and emphasis should be given, however, a freedom to use the budget allocated to them according to their desire in a flexible way.
10. Major problems the respondents identified related to financial management include inefficiency of human power, lack of trained human power and inadequate training for staff members who work in the finance section. Since lack of competent and trained human power usually ends up with weak performance these suggestions should be given prior attention when affirmative action is implemented.

## REFERENCES

- Adesina,S.(1990).*Educational Management*. London: Forth Dimension Publishing Ltd.
- Aggrawal, J.c. (1995) . *Educational Planning, Budgeting and Financing in India*. New Delhi  
*Delhi*
- Agrwal,R.D.(1994). *Organization and Management NewDelhi*: Tata.Mc Grwa-Hill  
Publishing Limited.
- Anderw,C. (1992). *Effective Internal Audits how to Plan and Implement*. U.K :Pitaman  
*publishing*
- Bartol, K. M. and David M.C. (1994). *Management*. New York: McGraw-Hill Inc.
- Best. J. W.,and Kahn. J. V. (1999). *Research in Education*. New York. McGraw-Hill Book  
Company.
- Bhagia , N.M., Dora ,B.,and Sushma B. (1990). *Educational Administration in India and  
Other Developing Countries*. India :Common wealth Publishers.
- Block, S.B.and Geoffrey A. H. (1992). *Foundations of Financial Management* (6<sup>th</sup> ed.).  
U.S.A.: Home Wood.
- Block, T., Patric, F.,and John, M. (1992).*Foundation of Financial Management*. New  
York: Richard Irwin Inc.
- Boyon et al (1983). *Accounting 21 Century* (3<sup>rd</sup>). U.S.A: Southwestern Publishing.
- Brigham,E. Shim,J. and siegele.F. & Ehrhardt,M.C. (2008).*Financial management  
theory practice* ( 12<sup>th</sup> ed). USA: Thomson Higher education.
- Brighton, S. (1995). *Financing Public Schools in the United States*. New York National  
Education Association
- Brockington, R. (1991). *Financial Management*. East Leigh: DP publication Ltd.
- Caldwell, B.J. And J.M. Spinks. (1992). *Leading the self-Managing schools*. London: The  
Flamer Press.
- Campsey, T.(1997), T(1997). *Introduction to Financial Management*. Dryden Press.

- Capacity Building. (2004). “ *Financial Management*” In *Ministry of Education (ED.)*  
 Proceeding on Government Internal Auditing.
- Carnall, C.A. (1995). *Managing change in Organizations*. Munich: Prentice Hall.
- Christensen, J.A. (2003). *Accounting Theory; an information content perspective*.  
 New York: university of florida.
- Cummings, T.G. and Christopher G.W. (1997). *Organization Development and Changes*.  
 Ohio: South Western College Publishers.
- David, F.D. (1997). *Strategic Management*. U.S.A.: Stimon and Schurter Company.
- Dioxn, R.(1986). *A practical approach to financial management*. Great Britain: financial  
 training publication limited.
- Downes, Peter (1988). *Local Financial Management in Schools*. England: Basil Blackwell  
 Ltd.
- Dickerson, et al.(1995). *Introduction to financial management*.
- Edmond, T.P. (2006). *Fundamental financial accounting concepts*, university of academic  
 Birmingham
- Faustor, C.M. (1995). *Decentralization and planning of Education: Recent Experiences in  
 Five Latin American Countries*. Paris: 11 EP Print shop.
- Fiske, E.B. (1996). *Decentralization of Education: Polices of Consensus*. Washington,  
 D.C.: The World Bank.
- Flint, D. (1992). *Philosophy and Principles of Auditing*. London: Macmillan Education Ltd.
- Florestal, K. and Cooper.W. (1997). *Decentralization of Education: Legal Issues*.  
 Washington, D.C.: The World Bank.
- Garrison, J. and Brewer, N. (2006) .*Managerial accounting* ,Brigham Young University  
 New York .
- Goertz, M.E., and Allan, O.(1999). *School-Based Financing*. Thousand Oaks, A: Corwin  
 Press, Inc.
- Govinda, R.(1997). *Decentralization of Educational Management; Experience from south  
 Asia*. Paris :UNESCO.

- Grinblatt, M. (2001). *Financial markets and corporate strategy* (2<sup>nd</sup> ed.). University of California Los Angeles.
- Guerrieri et al. (1976). *Accounting basic principles and applications*. New York: Columbus, Ohio Woodland Hills California Peoria.
- Guthrie, J. W., Walter, I. Garms, A. and Lawrence C. P. (1988). *School Finance And Educational Policy*. U.S.A.: Simon & Schuster, Inc.
- Hallack, H. (1990). *Investing In The Future: Setting Educational Priorities in the Developing World*. Paris: UNESCO.
- Hallak, J. (1996). *Analysis of Educational Costs and Expenditure*. Paris: UNESCO; International Institute For Educational planning.
- Haward, L.R (1992). *Auditing*. London: Pitman Publishing.
- Hbiti, David M. (1994). *Foundation of School Administration*. Nairbi: Oxford University Press.
- Herrington, B.P.(1993). *Cost Accounting Principles and Applications*. (5<sup>th</sup> ed.). New York: McGraw.Hill
- Institute Of Chartered Accountants: *Auditing and Reporting 1980/87*. (1986). Great Britain: Oxford University Printing House.
- Irvine, V.B. (1975). *Budgeting Functional Analysis and Behavioral Implications in Rapp Port: Information For Decision Making: Quantitative And Behavioral Dimension*, (2<sup>nd</sup> ed.). New Jersey: Prentice Hall
- ,J.G (1976) ,*Theory of financial management*(2<sup>nd</sup> ed.).Queens college city university of New York
- Johan, et al.(2004).*Essentials of accounting for governmental and not for profit organizations*. United States Accounting, university of Georgia.
- Jordan, et al(1985). *School Business Administration*. New Delhi; Sage Publication. Inc.
- Kamal, G (1996). *Contemporary Auditing (4th ed.)*. New Delhi: Toto McGraw-Hill Publishing Company Ltd.
- Kenezevich, S. J. (1997). *Administration of Public Education*. New York: Harper and Row.
- Knight,Jim.(1998). *Strategic Planning for School Managers*. London: Kongan page.

- Lawrence Brown.(1995). *A Guide to college Resource and Financial Management*.  
London: The Palmer Press.
- Levacic, R. (1995). *Local Management Of School Analysis and Practice*. Buckingham:  
Open University Press.
- Maher et al. (2006).*Fundamentals of cost accounting*. New York : San Francisco.
- Malpica, C.N. (1997).*Decentralization and planning of Education ; Recent Experiences*  
in five Latin American countries. Paris : UNESCO.
- Mosich,AN. (1989). *Intermediate Accounting*. New York: Mcgraw-Hill-Book Campany.
- M,K.J. and Shegel,J.G. (1998). *Theory and problems of financial management*.
- MOE(1994). *Education and training policy*. Addis Ababa. EMPDA.
- Okeje, B.O. Et.AI. (1992). *Educational Administration*. New Heaven Enugu: Fourth  
Dimension Publishing Co. Ltd.
- Okumbe, J.A. (1998). *Educational Management: Theory and Practice*. Nairobi: Nairobi  
University Press.
- Ozigii, A.O.(1995). *Hand Book of School Administration and Management*. London:  
Macmillan Education Ltd.
- Paisey,A.(1992). *Organization and Management in Schools (2nd)* London: Long Man  
Group Limited.
- Pandy,I.M. (1979).*Financial Management (4th.)* New Delhi: Vikas Publishing House.
- Parakash, J. (1996).*Auditing Principles and Practices*. Allahabad: University of  
Allaheebad.
- prasanna ,C.(1999).*Fundamentals of financial management (3rd ed.)*. New Delhi: Tata  
McGraw Hill publishing company Ltd.
- Preece, Peter (Ed). (1987). *School Management and Leadership: perspective 29* London:  
University Of Exeter
- Robert, D., Davey, and Frederick, (1987). *School District Financial Management nd*  
*Banking*. Virginia: Educational Resource Information Center.
- Spicer, O. (1990). *Practical Auditing*. London: Butter work & Com.

Tanzi. (1996). "*Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects.*" In Michael B. and Boris P. (Ed). Annual World Bank Report on Development Economics. Washington: The World Bank.

USAID, (1997). *Education Decentralization in Africa: As viewed Through The Literature and USAID Projects.* Washington D.C: Agency for International Development. Africa Bureau.

Yohannes Kinfu, (1994). *Auditing. Introduction to Principles and practices* Addis Ababa: A.A.U.

Whittington, O.R ,(1992). *Principles of auditing,* London; R.R Domelly and sons company.

**Appendix A**  
**Responses given for “Yes”, “No” questions**

Item	Questions	Response	Frequency	Percent
	Is the necessary staff for the financial department assigned in your school	Yes	8	57.1
		No	6	42.9
		Total	14	100.00
	Is your school engaged in income generating activities	Yes	28	80.00
		No	7	20.00
		Total	35	100.00
	Is the budget allocated to your school equal to the amount required	Yes	2	5.7
		No	33	94.3
		Total	35	100
	Does your school utilize the entire allocated budget during the fiscal year	Yes	11	78.6
		No	3	21.4
		Total	14	100
	Is budget transfer in your school possible from one code to the other	Yes	13	37.1
		No	22	62.9
		Total	35	100

Questions	Response	Frequency	Percent
Does your school have clear auditing guidelines	Yes	11	31.4
	No	24	68.6
	Total	35	100
Do you think that the finance department of the school handles the financial activities of the school properly	Yes	25	51.0
	No	24	49.0
	Total	49	100
Does your school have financial mgt guidelines	Yes	22	62.9
	No	13	37.1
	Total	35	100
Do you agree that the financial resources are utilized by your schools efficiently	Yes	9	64.3
	No	5	35.7
	Total	14	100
Does your school autonomous with regard to financial mgt.	Yes	16	45.7
	No	19	54.3
	Total	35	100



## **Appendix B**

### **Jimma University, Department of Educational Planning and Management**

#### **Questionnaire to be filled by secondary school principals, vice principals and financial personnel**

Dear respondents, the main purpose of this questionnaire is to assess the financial management practices and problem of secondary schools of Jimma Zone in order to obtain relevant information that would facilitate the formulation of a sustainable financial management system for secondary schools.

Since the research findings will assist policy makers in the policy formulation process and decision making, your cooperation in filling the questionnaire is of paramount importance.

Hence, please take your time to fill in the questionnaire, be objective, and honest in your response.

Note: The respondent will remain anonymous to ensure confidentiality.

It is the right and the duty to each respondent to give the objective information he/she has.

Thank you in advance for your cooperation

**Part one: Background information.**

Direction

Please make a tick (  $\surd$  ) in the boxes provide and write brief answers in the blank spaces where necessary.

.Please, give only one answer to each item unless you are requested to give more.

1. Name of your school \_\_\_\_\_

2. Write your present job title \_\_\_\_\_

3. Age 25 and below  26-35 years

36-45 years  Above 45 years

4. Sex Male  Female

5. Level of education

T.T.I. graduate  Diploma

B.A/B.S.C  M.A/M.Sc. and above

6. Field of specialization

Subject specialist  Accountant

Educational administration  Other (please) \_\_\_\_\_

7. Total service years

1-5  6-10  11-15

16-20  21 and above

**Part Two: Questionnaire related to Financial management issues and source of finance.**

1. The extent that the administrative personnel are qualified in carrying out financial management activities is:

1) Very high  2) High  3) Medium

4) Low  5) Very low

2. Does your school have financial management guidelines?

1) Yes  2) No

3. The extent that your school implements the guidelines of school financial management is:

1) Very high  2) high  3) Medium

4) Low  5) Very Low

4. The ability of your school to use the allocated budget for its intended educational purpose is

1) Very high  2) High  3) Medium

4) Low  5) Very Low

5. What is the main source of budget for your school (if you give more than one answer put them in rank order, 1-4)

\_\_\_\_\_ Government Budget

\_\_\_\_\_ Foreign aid

\_\_\_\_\_ Foreign loan

\_\_\_\_\_ Community contribution

Other (please specify) \_\_\_\_\_

1. Which of the following factors do you think affect the management of finance in your school? Please put in order of their seriousness using number(1-8)

- \_\_\_\_\_inadequate accounting checks and control
- \_\_\_\_\_Lack of appropriate planning
- \_\_\_\_\_Un programmed closing periods of revenues
- \_\_\_\_\_Inefficient number of receipts
- \_\_\_\_\_Misuse of finance by school officials
- \_\_\_\_\_The absence of trained personnel
- \_\_\_\_\_The absence of rules and regulations
- \_\_\_\_\_Poor financial planning

2. Which of the following ideas do you suggest to maintain a good financial management in your school? Please put them in their order of most important to least important.

- \_\_\_Appointing trained financial personal
- \_\_\_Establishing appropriate financial reporting systems
- \_\_\_Establishing a system of internal control
- \_\_\_Maintaining regulars checks and control
- \_\_\_Establishing regular and programmed closing periods of accounts
- \_\_\_Securing appropriate financial planning system
- \_\_\_Providing with sufficient legal receipts
- \_\_\_Maintaining the rules and regulation of finance

**Part Three: Budget planning.**

3. Who prepares the annual budget plans in your school?

1) The school management committee  2) The principal

3) Teachers  4) The school administration

5) The Department heads  6) Others (please specify) \_\_\_\_\_

4. Who is authorized to approve the allotted budget? - write them in their order of most important to least important

\_\_\_\_\_ The school planning committee

\_\_\_\_\_ The principal

\_\_\_\_\_ Teachers

\_\_\_\_\_ The school administration

\_\_\_\_\_ The Department heads others (please specify) \_\_\_\_\_

5. Is your school engaged in income generating activities

1) Yes  2) No

6. If Your school is engaged in income generating activities, which of the following income- generating activities is undertaken – write them in their order of most important to least important.

\_\_\_\_\_ sales of straw

\_\_\_\_\_ Sales of trees

\_\_\_\_\_ Theater and sport

\_\_\_\_\_ Day student's tuition fees

\_\_\_\_\_ Evening students' fees

7. Is the budget allocated to your school equal to the amount required?

1) yes  2) No

8. If your answer to question 12 is 'No' how is balanced? \_\_\_\_\_

---

14 When is the budget allotted to your school released?

1) in July  2) In August  3) in September

4) In October  5) Other (please specify)\_\_\_\_\_

15. Is budget transfer in our school possible form one code to the other

1) Yes  2) No

16. If your answer to question 15 is “No” how do you manage budget shortage and/or excess in a given budget code ? \_\_\_\_\_

\_\_\_\_\_

17. Reasons that might hinder budget allocation and utilization

Options	Factors	Strongly agree	Agree	Partially agree	Disagree	Strongly disagree
1	The budget allocation is not disbursed on time					
2	The budget allocation doesn't coincide with the need					
3	The process of budget utilization is not suitable					
4	Lack of trained human resources					
5	Unplanned activities					

**Part four: Accounting methods and practices**

18. According to your opinion, the competence of the majority of personnel involved in financial tasks is
- 1) very High  2) High   
3) satisfactory  4) Unsatisfactory
19. If your response to question 18 is unsatisfactory, what do you think is the possible reason?
- 1) Low qualifications  2) inadequate experience   
3) irrelevant qualification to the positions  Luck of motivation   
5) other (please specify) \_\_\_\_\_
20. To what extent is the internal auditing activity accomplished in your school?
- 1) Very frequently  2) Frequently   
3) Rarely  4) Not at all
21. How often is external auditing carried out in your school?
- 1) once a semester  2) once a quarter   
3) once a year  3) others (please specify) \_\_\_\_\_  
\_\_\_\_\_
22. Does your school have clear auditing guidelines?
- 1) Yes  2) No
23. If your answer to question 22 is “No” how do you get your school finances audited? \_\_\_\_\_  
\_\_\_\_\_
24. Does your school autonomous with regard to financial management?
- 1) Yes  2) No
25. Do you think that the finance department of the school handles the financial activities of the school properly?
- 1) Yes  2) No

## **Appendix C**

### **Jimma University, Department of Educational Planning and Management Questionnaire will be filled by representative teachers in PTA, in secondary schools.**

Dear respondents, the main purpose of this questionnaire is to assess the financial management practices and problem of secondary schools of Jimma Zone in order to obtain relevant information that would facilitate the formulation of a sustainable financial management system for secondary schools.

Since the research findings will assist policy makers in the policy formulation process and decision making, your cooperation in filling the questionnaire is of paramount importance.

Hence, please take your time to fill in the questionnaire, be objective, and honest in your response.

Note: The respondent will remain anonymous to ensure confidentiality.

It is the right and the duty to each respondent to give the objective information he/she has.

Thank you in advance for your cooperation



Part one: Background information.

Direction

Please make a tick ( ) in the boxes provide and write brief answers in the blank spaces where necessary.

.Please, give only one answer to each item unless you are requested to give more.

1. Name of your school \_\_\_\_\_

2. Write your present job title \_\_\_\_\_

3. Age 25 and below  26-35 years

36-45 years  Above 45 years

4. Sex Male  Female

5. Level of education

T.T.I. graduate  Diploma

B.A/B.S.C  M.A/M.Sc. and above

6. Field of specialization

Subject specialist  Accountant

Educational administration  Other (please) \_\_\_\_\_

7. Total service years

1-5  6-10  11-15

16-20  21 and above

**Part Two: Questionnaire related to financial management issues and source of finance.**

1. Is the necessary staff for the financial department assigned in your school?

1) Yes  2) No

2. Which of the financial personal are missing in your school? (you can give more than one answer)

1) Accountant  2) finance and administration officer   
3) Treasure  4) other (please specify) \_\_\_\_\_

3. The participation of teachers and administrative workers in financial management of schools is

1) Very high  2) High  3) Medium   
4) Low  5) very Low

4. Do you agree that the financial resources are utilized by your schools efficiently?

1) Yes  2) No

5. Does your school have internal sources of income?

1) Yes  2) No

6. If your response to question 5 is "Yes" what are the sources of internal Income of your school ? if you give, more than one answer put in rank order

1- 3)

\_\_\_\_\_ school fee

\_\_\_\_\_ Community contribution

\_\_\_\_\_ Rent of school facilities

Others (please specify) \_\_\_\_\_

1. Which of the following factors do you think affect the management of finance in your school? Please put in order of their seriousness using number (1-8)

- \_\_\_\_\_inadequate accounting checks and control
- \_\_\_\_\_Lack of appropriate planning
- \_\_\_\_\_Un programmed closing periods of revenues
- \_\_\_\_\_Inefficient number of receipts
- \_\_\_\_\_Misuse of finance by school officials
- \_\_\_\_\_The absence of trained personnel
- \_\_\_\_\_The absence of rules and regulations
- \_\_\_\_\_Poor financial planning

8. Which of the following ideas do you suggest to maintain a good financial management in your school? Please put them in their order of most important to least important.

- \_\_\_Appointing trained financial personal
- \_\_\_Establishing appropriate financial reporting systems
- \_\_\_Establishing a system of internal control
- \_\_\_Maintaining regulars checks and control
- \_\_\_Establishing regular and programmed closing periods of accounts
- \_\_\_Securing appropriate financial planning system
- \_\_\_Providing with sufficient legal receipts
- \_\_\_Maintaining the rules and regulation of finance

9. According to your observation, which of the following is/are the basis for spending school finance?(put them in rank order)

- \_\_\_\_\_ Educational plans
- \_\_\_\_\_ Principal's personal feelings
- \_\_\_\_\_ Activities in the teaching learning
- \_\_\_\_\_ Salaries and educational services

Others (please specify) \_\_\_\_\_

10 Does your school utilize the entire allocated budget during the fiscal year?

1) Yes  2) No

11. Who is authorized to approve the allotted budget?- write them in their order of most important to least important

\_\_\_\_\_ The school planning committee

\_\_\_\_\_ The principal

\_\_\_\_\_ Teachers

\_\_\_\_\_ The school administration

\_\_\_\_\_ The Department heads others (please specify)\_\_\_\_\_

12. Reasons that might hinder budget allocation and utilization

Options	Factors	Strongly agree	Agree	Partially agree	Disagree	Strongly disagree
1	The budget allocation is not disbursed on time					
2	The budget allocation doesn't coincide with the need					
3	The process of budget utilization is not suitable					
4	Lack of trained human resources					
5	Unplanned activities					

**Part three: Accounting methods and practices.**

13 According to your opinion, the competence of the majority of personnel in financial tasks is

- 1) very High       2) High   
3) satisfactory       4) Unsatisfactory

14. If your response to question 10 is unsatisfactory, what do you think is the possible reason?

- 1) Low qualifications       2) inadequate experience   
3) irrelevant qualification

15. Do you think that the finance department of the school handles the financial activities of the school properly?

- 1) Yes       2) No

16. If your answer to question 12 is “No” who is responsible for handling the school accounting activities? \_\_\_\_\_

17. The ability of your school to use the allocated budget for its intended educational purpose is

- 1) Very high       2) High       3) Medium   
4) Low       5) Very Low

## **Appendix D**

### **Jimma University, Department of Educational Planning and Management**

#### **Interview questions conducted with woreda MoFED office financial personnel and head of woreda education offices.**

The purpose of this interview is to gather information on current practices and problems of financial management system of secondary schools of Jimma Zone.

Since the research findings will assist policy makers in the policy formulation process and decision making, your cooperation in giving answers has a paramount importance.

Hence, please take your time to give answer for my questions and please be objective, and honest in your response.

Thank you in advance for your cooperation

#### **1. personal information**

1.1 Name of your office \_\_\_\_\_

1.2 Age \_\_\_\_\_

1.3 Sex \_\_\_\_\_

1.4 Level of Education \_\_\_\_\_

1.6 Field of Specialization \_\_\_\_\_

1.6 Your present job title \_\_\_\_\_

1.7 Service year in your current position \_\_\_\_\_

- 2.1 What are the existing practices of financial management and major problems of schools? What is the trend of the school plan preparation?
- 2.2 How is school financial management in secondary schools educational system structured in accordance with the decentralized educational management system? How is the school finance managed?
- 2.3 How Woreda financial and economic development offices support secondary schools by giving training in accounting, controlling and auditing to facilitate their work? How do you support schools to enable them manage their finance properly?
- 2.4 What structure levels are accountable to plan, budget, control and carry out financial management in secondary schools?
- 2.5 How competent are schools administrative personnel, Accountants and auditors to carryout accounting work, auditing and reporting of educational fiancé on continuous base?
- 2.6 Do schools have qualified personnel to handle their financial activates?
- 2.7 Is there any adopted pre audit system in the Woreda finance and economic development offices, and at the school level?
- 2.8 How the auditing activities are takes place in the schools?
- 2.9 What accounting methods are used by secondary schools? Do schools follow the generally accepted accounting principles in their books of accounts?
- 2.10 What measures would you think to be taken to make secondary school effective and efficient to manage their financial resources properly?