

**INFLUENCERS OF AUDIT REPORTS IMPLEMENTATION IN PUBLIC
SECONDARY SCHOOLS IN NDITHINI AND MUTHESYA EDUCATION
ZONES, KENYA**

BY

MWANGI MOSES KIMANI

BUS-4-2707-18

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF THE DEGREE OF BACHELOR OF COMMERCE (BUSINESS
ADMINISTRATION AND ACCOUNTING OPTIONS) OF GRE TSA
UNIVERSITY**

DECEMBER 2019

DECLARATION

This project is my original work and has not been presented for award of Bachelor's Degree or for any similar purpose in any other institution.

Signature: _____ Date: _____

Moses Kimani Mwangi

BUS-4-2707-18

Supervisor:

This project has been submitted for examination with my approval as University supervisor.

Signature: _____ Date: _____

Irene Kinyua

TABLE OF CONTENTS

TABLE OF CONTENTS.....	ii
LIST OF FIGURES	v
TABLE.....	vi
OPERATIONAL DEFINITIONS OF TERMS	vii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Statement of Research Problem	1
1.2 The purpose of the study	2
1.3 Conceptual framework	2
1.4 Introduction	4
1.5 The objectives of the study.....	4
1.5.1 General objective	4
1.5.2 Specific objectives	4
1.6 Research questions	4
1.7 Significance of the study	5
1.8 Scope of the study	5
1.9 Limitations of the study.....	6
1.10 Assumptions	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction	7
2.4 Financial management and financial audit report	9
2.9 Theoretical framework	15

2.10 Summary of identified gaps in the reviewed literature	16
CHAPTER THREE	17
RESEARCH METHODOLOGY.....	17
3.1 Research design.....	17
3.2 Study area.....	17
3.3 Target population	17
3.4 Population size	17
3.5 Measurement of variables	17
3.6 Research Instruments	18
3.7 Validity of research instruments	18
3.8 Reliability of Measurements	18
3.9 Data Collection Techniques	19
3.10 Pretesting of research instruments.....	19
3.10 Data analysis.....	19
3.11 Logistical and ethical consideration	20
CHAPTER FOUR.....	21
DATA ANALYSIS AND RESULTS.....	21
4.1 Introduction	21
4.2 Research questions testing	22
CHAPTER FIVE	25
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	25
5.1 Introduction	25
5.2 Summary of findings.....	25
5.3 Conclusion.....	26

5.4 Recommendations	26
REFERENCES	28
APPENDIX I - Transitional Letter	- 1 -
APPENDIX II	- 2 -
WORKPLAN	- 2 -
APPENDIX III	- 3 -
QUESTIONNAIRE.....	- 3 -

LIST OF FIGURES

Figure 1 Conceptual framework	3
Figure 2 : BoM gender composition per school.....	21

LIST OF TABLE

Table 1 : No. of audit recommendation implementation analysis22

OPERATIONAL DEFINITIONS OF TERMS

Accounting Officer	A staff in an entity in charge authorizing expenditures. In public secondary schools is the principal
Audit report / reports	Public secondary school audit report, both annual and investigative reports done by school auditors
Board / BoM	Board of Management
CDF	Constituency Development Fund
Final financial accounts	Includes financial position statement, cash flow statement, profit and trial balance and accompanying notes.
Financial year	Year running from 1 st January to 31 st December
Impracticable	Implementing a report or requirement is impracticable when the school cannot apply it after making every reasonable effort to do so.
Masinga Sub-county	One of the sub-counties of Machakos County, in Kenya
Principal	Head of a Public Secondary School
PTA	Parents Teachers Association
Public Secondary School	A school established by the community or religious organization and managed by the TSC deployed principal
School	Public Secondary School
School Auditor	A designated staff in the Directorate of Schools Audit Service as a school auditor.
TSC	Teachers Service Commission
CoK	Constitution of Kenya
Zones	Education zones of Ndithini and Muthesya

ABSTRACT

Under the Education Act, 2013, Boards of Management are established in public secondary schools in the country. They are major internal control and its effectiveness determine prudent in resource mobilization, allocation and utilization. These BoMs approves all the plans and oversights their implementation. All the schools had validly constituted BoMs.

Many Principals in secondary schools lack sufficient public finance management , a skill they agree is critical as school heads. The Principals expressed concern that , as they head the schools they should also be in charge of school finances and account for the same.

Respondent schools have their final financial statements prepared by bursars, consultants while in one school the principal prepared financial statements and reports. Schools with low student population could not afford hiring a full time bursar hence relied on consultant.

Audit reports are critical in ensuring schools adhere to public finance management provisions. Respondents agreed on their importance in planning, budgeting and school running. They provide quality reports and respondents called for their increases in number as they feel current number are inadequate given the number of public secondary schools they serve.

CHAPTER ONE

INTRODUCTION

1.1 Statement of Research Problem

The Government of Kenya has continuously allocated high percentage of her budget towards funding education in the country, out of which a substantial allocation goes to the free day secondary school. Beside the government, children caregivers and sponsors foots boarding fee, lunch and other administrative costs expenses. The government has established schools audit services in the Directorate of school audit, Ministry of Education, science and technology. The department undertakes annual audit for all public secondary schools in the country. Public secondary schools are issued with approved audit report which they are expected to develop an implementation plan and implement the recommendations.

It is evidence going by the perennial audit reports and recommendations a majority of the public secondary schools fail to implement audit reports and those which do the level of implementation is not known. There are several factors that could be influencing this disturbing phenomenon for example principals' level of financial management skills, schools internal control systems, BOM level of financial management skills and the relevance of audit report to the school context. In their work, school auditors proficiently consider school's current activities, trends, and emerging issues, to enable relevant advice and recommendations which is shared with the school management. Despite the accomplished audit work, statutory requirement and school management involvement in the entire audit exercise, to certain extent school management fail to implement audit reports as various factors came to play which end up accelerating, slowing down or blocking their implementation.

Consequently, schools continuer posting growing debts, credit, inter accounts borrowing and ultra vires expenditure which trends against the inspiration of the Constitution of Kenya (2010). Article 201 of the CoK on Principles of public finance that calls for openness and accountability, including public participation in financial matters, prudent and responsible utilization of public money, responsible financial management and clear fiscal reporting shall alongside other provisions that focus more to the two tiers of government. This study, therefore, seeks to establish the factors that influence implementation of audit reports by public secondary schools in Ndithini and Muthesya Education Zones (zones) in Masinga Sub-county.

1.2 The purpose of the study

This study examined the influencers of audit reports implementation in public secondary school in Ndithini and Muthesya Education Zones.

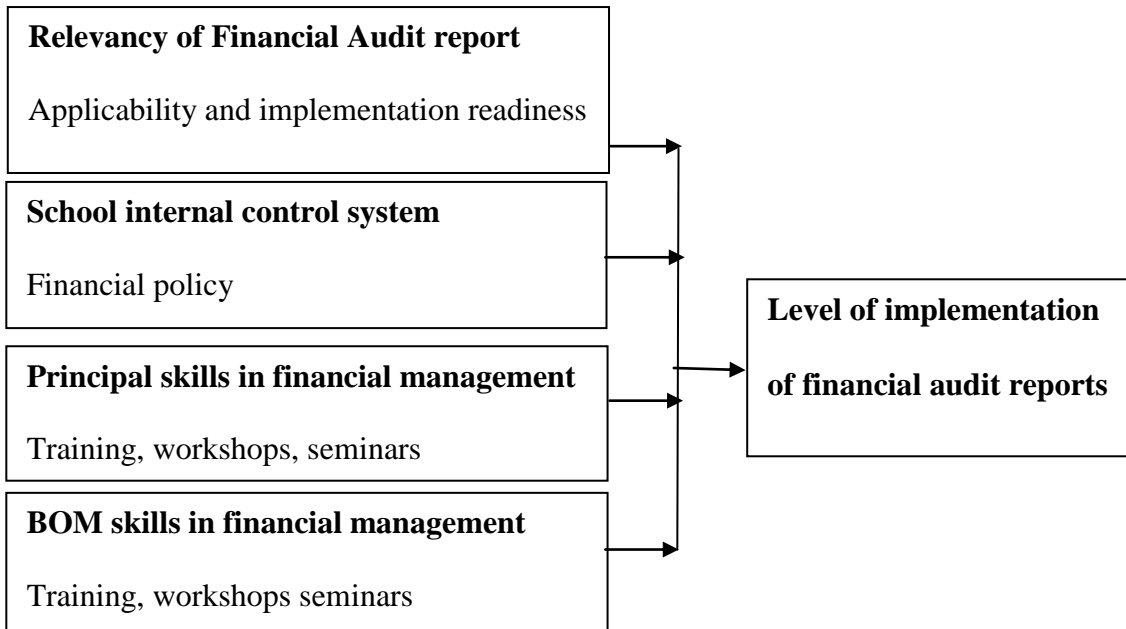
1.3 Conceptual framework

The conceptual framework tailor-made for this research study involves several steps. First, the researcher has identified key factors from the literature that could affect the implementation of financial audit reports. The key factors are: principals' financial management skills; school internal controls, BOM financial management skills and relevance of audits reports to the school local context. It is in these areas pivot audit report implementation (independent variable). The dependent variable was the level of audit report implementation.

Figure 1 Conceptual framework

Independent variable

Dependent variables



1.4 Introduction

This section presents the research methodology that was used in the study. It contains the research design, the targeted population, sampling procedure and sample size, instruments that will be used in data collection, validity of the instruments and reliability of the instruments

1.5 The objectives of the study

1.5.1 General objective

To examine factors influencers of audit reports implementation in public secondary schools in Muthesya and Ndithini education zones.

1.5.2 Specific objectives

The specific objectives of this research are;

- i) To determine whether principals' financial management skills influence implementation of financial audit reports
- ii) Investigate whether school internal controls influence implementation of financial audit reports
- iii) To determine whether BOM financial management skills influence implementation of financial audit reports
- iv) To determine whether relevance of audits reports influence their implementation

1.6 Research questions

- i) To what extend do principals' financial management skills influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?

- ii) To what extend does school internal controls influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?
- iii) To what extend do BOM financial management skills influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?
- iv) To what extend does the relevance of audits reports influence their implementation in Muthesya and Ndithini education zones public secondary schools?

1.7 Significance of the study

The study identified reasons why management in public secondary school fails to implement audit reports. These factors were identified during the study. The study further identified opinion of principals on their financial management capacity. Findings of this study can be significant in decision making in the directorate of school audit in the ministry of education and other education stake holders including the county governments, parents and donors. It will facilitate in informing policy in secondary school financial management and audit report implementation in terms of strengths and weakness. The study findings could also be applied in other public secondary schools countrywide with similar social-economic characteristics. The study findings will be a reference for secondary schools financial management, auditing and plans implementations.

1.8 Scope of the study

The study focused on audited accounts for the financial years 2015 to 2017 of public secondary schools in Muthesya and Ndithini Education Zones, Masinga Sub County. This is due to time and logistical limitation. The financial year 2018 was not be considered as it ended on 31st December 2018 and schools have four months to submit their final accounts

after the end of year, and the study commenced in May 2019, which was barely two months from the deadline for the schools submission of their final financial accounts to school audit office.

1.9 Limitations of the study

The study faced the following limitations;

- i) Time factor as the study was intended to conclude in one week but was extended due to time distances covered.
- ii) Logistics of covering all targeted schools. In some instances public transport like *boda boda* was used for the reason that there are no public transport means in some areas in the study area.
- iii) Availability of principals in schools due to their tight schedules. To overcome this, attempts were made to contact the principals prior to day of school visit and book appointment.

1.10 Assumptions

In order to success, the researcher assumed that;

- i) All public secondary schools in Ndithini and Muthesya Zones have duly prepared their final accounts for the targeted time of the research.
- ii) All public secondary schools in Ndithini and Muthesya Zones books of accounts are audited for the period under study, 2005 to 2017 financial year.
- iii) There was correlation between audit reports and action by management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section highlights what is financial audit and audit exercise, financial management and audit report and, Financial audit reports and financial accountability. It also reviews what scholars and researchers have found out on the factors that influence audit reports. These are Principals' financial management skills, Schools' internal controls, BOM members' financial management skills and audit report relevance to local school context.

2.2 Financial audit and audit exercise

Auditing may be defined as a systematic investigation and appraisal of transactions procedures, operations and result in financial statements (Anichebe, 2010). Organization all round the world be it financial, educational, or otherwise needs auditing for proper assessment of their financial statements. In order to achieve set out goals and objectives, resources must be properly managed and financial audit reports implemented to get the profound results needed. The main purpose of auditing is to determine the degree of adherence to the prescribed criteria and to express opinion thereon. The Public Procurement Assets Disposal Act, 2015 and its regulations confirm Principals as accounting officers in their respective schools. Under the principles of ISA 2000, the objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Hence when an auditor is expressing his or her opinion they are *positive* and corrective in nature failure to which could lead to far reaching adverse effects. The audit exercise is vigorous exercise driven by the auditor with participation of the school Principal at various levels from the opening to audit exit meetings.

During the audit exercise, the auditor makes presentation to the school management on their findings and recommendations and includes their response in final report. Any issue with the financial statements and accompanying notes are discussed with the auditee (Public Procurement Assets Disposal Act, 2015, ISA 2000)

2.3 Financial accountability and financial audit report

The Government of Kenya offers free secondary school education through Free Day Secondary Education capitation. Schools further charge other levies according to category of the school. Issue of financial accountability in public secondary schools has been a thorn in the country as time and again parents have taken on principals as well as students on financial management. Efforts have been made by teachers' employer, the Teachers Service Commission to ensure prudent resource utilization in these institutions and recognition of audit reports. These efforts have faced resistance to even industrial action (TSC, 2016).

The teachers' employer has instituted audited accounts as one of the annual performance appraisal criteria for principals. Besides this, this criterion is incorporated as principal clearance criteria while on transfer or during separation. The efforts made in pushing for audited reports in determining various acts on principals cannot be underscored.

Audit work has been conducted by the School Auditors and over the years, same issues raised in previous audit reports are recurrent in the subsequent years. There are perennial problems pinpointed by school auditors that forms basis of their recommendations like increasing debtors and creditors. Instance where principals fight for increasing school fees they charge

have been reported but little seems to be done to implement audit reports or even undertake cost saving measures without compromising service standard.

The school board of management is fully engaged and involved during the audit exercise which is based on the final accounts prepared by the school management vis-à-vis what should be done. This research study will investigate factors that affect implementation of financial audit reports, given their involvement, statutory requirement and concurrence with the reports.

2.4 Financial management and financial audit report

According to the Handbook of Financial Management, issued by the Ministry of Education, Science and Technology (2006), 'The financial statements of educational institutions shall be audited once every year in accordance with the provisions of the Education Act, 2013. The handbook further makes a provision for other audits instituted by the Board of Management and such requests can be made to the County Director for Education and Sub-county Director for Education Officers who are mandated to constitute a team for such audit. The Principals are responsible for accounting for resources in the institutions they head, a responsibility that can be delegated to any teaching or non-teaching staff accordingly.

Every year, all public secondary schools are supposed to be audited by the Directorate of Schools Audit in the Ministry of Education. The Directorate headquarter is based in Nairobi, Regional and County offices spread throughout the country. The directorate endeavours and conducts annual and special audit all public secondary schools alongside other basic education institutions and teachers training colleagues. It is estimated that there are over 8,000 public secondary schools in the country

The purpose of these audits is to give an assurance that resources are utilized for intended purpose. The intention is that where resources are not been utilized for the intended purpose, then recommendations given to address the anomaly needs to be implemented without further delays

2.5 Principals' financial management skills and financial audit reports implementation

Principals are accountable to the parents, students, government, donors and sponsors as appropriate for the utilization of institutions' resources. A secondary School academic performance will not be achieved and sustained with just delivering curriculum while ignoring other factors such as governance and resource utilization. The literature defines financial mismanagement as poor management of finances in schools, mal-administration as corrupt behaviour, corruption as wrongdoing on the part of an authority, and misappropriation as dishonest use of funds for one's own use (Rangongo, 2016). These terms are used interchangeably. In the school context, maladministration is viewed as corrupt behaviour that has become a global trend, and results in non-compliance with administrative regulations and requirements (Western Cape Education Department (WCED), 2009). It is a legal term that refers to a failure by principals or any other relevant functionaries to carry out their financial responsibilities properly and fully. It may be unintentional, meaning that it may stem from mistakes, incompetence, negligence or carelessness (i.e. financial misconduct in handling or reporting usage of money given). It may be intentional (such as in the case of bribes, illegal activities and misappropriation of public resources for personal use or gain) (Ochse, 2004; Svensson, 2005; WCED, 2009).

Maladministration can be understood as connected to mismanagement, incompetence, inefficiency, malpractice and dishonesty (Collins Thesaurus, 2002). This is reiterated by Talane and Pillay (2013) when they state that financial mismanagement involves a host of activities, including misappropriation of funds, disregard processes, and a lack of financial reporting to parents as well as other educational stakeholders. A Study by Rangong, Mohlakwana and Beckmann(2016) found that principals lacked the skills, knowledge and expertise to manage school finances as the main cause of financial mismanagement in public schools. The respondents stated that there is lack of knowledge of the financial prescripts and other regulations and principals have limited knowledge and understanding of the legislation, finance policy and financial prescripts and furthermore teachers and school governing body members, and finance officers who have limited financial and accounting skills which impacted on implementation of financial audit reports.

2.6 Schools' internal controls and financial audit report implementation

The ministry of education had a financial management policy in place under the Directorate of Schools Audit in the Ministry of Education (Ministry of Education, 2012). However, most schools lack their own financial policy and have poor internal control systems. A proper internal control system ensures that the school manager would utilize the financial recourses in a way that will safeguard the interest of the donors and contributors (Suleiman et al., 2008). Internal control structure includes policies and procedures on controls such as withdrawal, applications for funds and grants accounts, bank and cash, purchase, payments and monitoring, evaluation and reporting. According to Rangong, Mohlakwana and Beckmann (2016), principals assist the BOM and teachers to overlook their own finance policies, violate their budgets and not to adhere to the financial prescripts for self-enrichment with state fund. In other instances, the school finance policy is there but not followed.

According to Clarke, (2012) the governing body of every public school must ensure that there are proper policies and procedures in place for the effective, efficient and economic management of the school's finances and the school governing body must also have systems in place to monitor and evaluate the correct implementation of the policies and procedures and to report thereon. Clarke (2012) states that one of the main purposes of the school's financial policy is to put in place a system of controls (checks and balances) to ensure that the school's finances are safeguarded and correctly managed. The purpose of a control system is to minimize opportunities for mismanagement and fraud.

Lack of Monitoring and Control of Funds is a major factor in financial audit report implementation which leads to financial mismanagement in schools. According to Rangong, Mohlakwana and Beckmann (2016), there is failure of the principal as the finance manager to do thorough checking and monitoring to detect any financial irregularities a lack of knowledge of the financial prescripts and other regulations, negligence and ignorance. There is a weak enforcement of existing legislative frameworks and a lack of proper monitoring and control from the Directorate of Schools Audit. Therefore, school principals are take advantage of lack of monitoring and control from the Department. Another serious challenge is a lack of monitoring from the principals. Most of the principals are just interested in appending signatures which sometimes authorize financial irregularities in their institutions. There is also ignorance of monitoring school financial books by the principal and there is an inadequate control and monitoring. Principals are controlled by personal interests. The main cause of lack of implementation of audit report is lack of monitoring and control from the Directorate of school audit.

2.7 BOM members' financial management skills and audit reports implementation

BOM's were created by the Kenya education act (KEA) in 1996 to establish a direct link between the central ministry and secondary schools. According to UNESCO 2006, BOM responsibilities were defined as overseeing school management in general and financial management in particular. It is the responsibility of the BOM to set the secondary school fees using the guidelines from the MOE, ensuring sound financial management, resource mobilization, setting of priorities for spending and ensuring that all expenditures are authorized. They also oversee school facilities and monitor student performance. Further, the Board Chairperson and Treasurer are signatories of the school's bank accounts and authorize publishing of school final financial accounts.

Kahariza (2003), in his study revealed that most board members do not understand the financial reports presented to them, this makes them make poorly informed choices or make them make poorly informed choices or make delayed decisions indefinitely. According to Rosalid and Downs (2004), few school board members are able to learn about the school financial values and processes due to limited education or lack of time to dedicate to these matters. They further noted that in England, a few members of the governing committee too have interest in the technical details of financial management presented to them. Kibua et al (2008) found out that the abnormal high cost of secondary education is partly due to poor governance of schools. Mobegi et al. (2012) maintained that even though there are scarce literature and documentation on weak secondary school governance, observation and experience show clearly that there is no clear defined governance framework and financial management systems. This has in turn resulted to corruption especially at the administration and board level with regard to procurement of school equipment, consumables, learning materials and hiring of both teaching and non-teaching staff. Mbogi et al. (2012), in his study found out that ignorant BOG was one of the factors contributing to financial mismanagement

in public schools. They stated that majority of BOM were not conversant with accounting procedures and therefore in understanding financial audit reports.

2.8 Audit report relevance and audit report implementation

The responsibility of the auditor to express an opinion on financial statements based on audit. In addition, the auditor is also engaged to report as to whether the secondary school has used the government subventions and subsidies in accordance with the applicable rules issued by the Ministry of Education and whether the balances of individual grant accounts are, in all material respects, correct (Directorate of Schools Audit, in the Ministry of Education, 2015). Those standards for audit require that auditors comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement (Directorate of Schools Audit, in the Ministry of Education, 2015).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates.. In forming auditor opinion on the use of government subventions and subsidies the auditors' opinion thereon is based on the evidence obtained during the course of audit of the financial statements, and when reporting on the balances of individual grant accounts, auditor report as to whether they are, in all material respects,

correct in so far as the balances agree to the books and records made available to them (Directorate of school Audit, 2015)

2.9 Theoretical framework

2.9.1 Financial Agency Theory

Financial Agency Theory is a way of checking/monitoring the work of a principal i.e. an employer by an agent i.e. an employee. The theory also emphasizes on the cost and benefits of the principal-agent relationship. Beneficial agency cost is one that increases a shareholders value while unwanted agency cost arises when management actions conflict with those of shareholders. This theory was developed by financial economists Michael C. Jensen and Management theorist William H. Meckling and they published it in the journal of financial Economics in 1976. According to Jensen and Mackling, agency relationship is a contract whereby one person who is the principal hires another person who is the agent, to perform some duties on his behalf. The principal delegates decision making authority to the agent. They further argued that the theory postulates that the principal have to deal with the issue of being in control of all the affairs in an organization. They select the agents and monitor their actions so as to ensure that they are working to their level best. This theory is applicable to this study since secondary schools are managed Board of Management (BOM) but they employ the Bursas and Accounts clerk to manage the finance on their behalf because they don't have the financial management skills. They also delegate the decision making authority to the school principal. They then monitor how well these agents are performing their duties. They hold meetings annually to come up with strategies which will be used in the management of schools.

2.10 Summary of identified gaps in the reviewed literature

The recurrent audit recommendations appearing in public secondary schools, financial accounts points towards failure of management to fully implement them. As school principal is the accounting and authorized officer of the school, literature review shows no study conducted in Ndithini and Muthesya Zones sub-county to investigate whether this could be influenced by the principal and the BOM level of financial management skills. Further there is no study in the current literature showing how public secondary schools in Ndithini and Muthesya Zones Sub-County internal control systems like localized school financial policy influence implementation of financial audit reports. Lastly, it is not clear from the literature reviewed, if the audits reports are relevant to schools local contexts.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

In order to answer the research questions a descriptive survey was employed during research study. A cross sectional survey was designed tailored to investigate how key factors could be influencing implementation of audit reports in secondary schools in Ndithini and Muthesya education zones. Orodho (2005) points out that descriptive survey is valuable in obtaining information by interviewing or administering questionnaires to a sample of participants in order to obtain useful data for evaluating a phenomenon which has not been controlled or manipulated.

3.2 Study area

The study population was the public secondary schools in Ndithini and Muthesya education zones in Masinga sub-county of Machakos County, Kenya.

3.3 Target population

The study target population is all the current 11 public secondary schools in Ndithini and Muthesya education zones.

3.4 Population size

All eleven public secondary school in Ndithini and Muthesya education zones.

3.5 Measurement of variables

The research had two types of variable, the dependent and independent variables. The independent variables were the factors that influence implementation of financial audit

reports. The dependent variable was the level of implementation of audit recommendation in schools.

3.6 Research Instruments

The research used questionnaires and a semi-structured interview schedule for secondary school managers in the sample. The researcher administered the questionnaires to the principals. These questionnaires had both closed and open-ended questions. The close-ended questions collected quantitative data. The questions rotated around basic school information and on factors that influence auditors report implementation. The open ended questions collected qualitative data that allowed the researcher to gain insights in how principals perceive financial audit report implementation (Oppenheim, 1992).

3.7 Validity of research instruments

Face and content validity for the questionnaires and the semi-structured interview was assessed for applicability by a panel of Lecturers in financial management. Further, the instrument was piloted in one secondary schools which did not take part in the main study. This was with a view to make the items in the instruments clear (Kothari, 2004).

3.8 Reliability of Measurements

The reliability of the questionnaire and the semi-structured interview schedules was established by test-retesting during instruments pretesting. The researcher asked the same principals exactly the same questions from the questionnaire and the interview schedule and scored within duration of one week and score. The estimate of reliability was obtained by computing the correlation between the two scores obtained by the same teacher on two interval scales for the same variable. The Reliability Co-efficient whose values varied

between 0.00 and + 1.00 was computed. The closer the value to + 1.00 the stronger the congruence measure (Adams & Schraneldt, 1985). Some responses that were elicited by the instrument were called for its further modification (Kothari, 2004).

3.9 Data Collection Techniques

The researcher sought permission from school management in Ndithini and Muthesya education zones. The researcher visited the sampled secondary schools, deliver copies of the introduction letters (Appendix I), administer principal's questionnaire and conduct the interviews.

3.10 Pretesting of research instruments

The instruments were piloted in one secondary schools before the main study which were not included in the research study sample. Piloting facilitated in making the statements in the instruments clear, precise and comprehensive enough for the researcher to answer the study research questions. Statements that required substitution or modification was done before the main study. Piloting was done with the assumption that the teachers experience and attitudes towards the teachers' performance and development tool were quite similar to the other teachers in the study population.

3.10 Data analysis

Data analysis process brings order and meaning to raw data collected (Mugenda, 2009). The researcher confirmed completeness, accuracy of information and uniformity of the questionnaires handed over to him. Data from the questionnaires was analyzed using Statistical Package for Social Sciences (SPSS) version 21 for Windows. Data was presented in descriptive statistics that includes frequency distribution tables and percentages tables.

Data gathered from semi-structured interviews was analyzed by hand. These data made meaning of the data obtained from the questionnaires

3.11 Logistical and ethical consideration

Under logistical, the following was considered; Accessibility – although Ndithini and Muthesya education zones are among developed areas in Machakos County, some schools cannot be easily accessed by small vehicles. Spatial distribution of the public secondary schools, although some are close to each other, others are a bit far from closest schools. Other public like *boda boda* were used.

The following ethical issues were considered during and after the research. On confidentiality, all information provided was treated with highest level of confidentiality. Further, all information gathered was purely be used for this study. The researcher clearly explained purpose of this study to all respondents. All necessary consents was acquired from potential respondents while their opinion will be highly respected.

CHAPTER FOUR

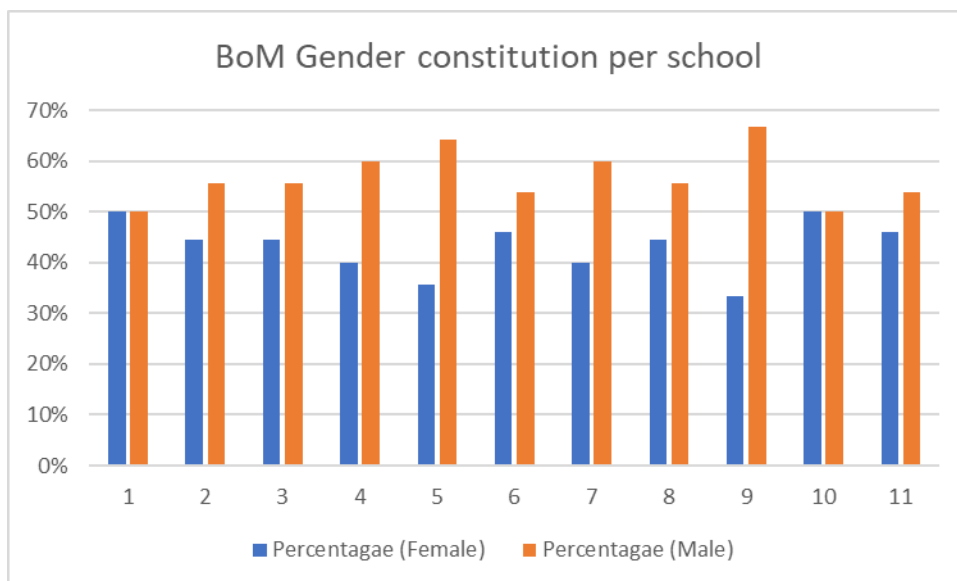
DATA ANALYSIS AND RESULTS

4.1 Introduction

The purpose of the study was to examine the factors that influence public secondary school management in implementing financial audit reports. During the study, schools in the zones prepared their financial accounts, were audited, approved and shared with the Board of Management for the years 2015 to 2017.

All the schools had Board of Management that met the one third gender rule. Two schools had equal number of female and male while other schools registered varying discrepancy ranging from 8% to 33% male dominance over female BoM members.

Figure 2 : BoM gender composition per school



Source: Author 2019

Table 1 : No. of audit recommendation implementation analysis

Year	Number of audit recommendations			
	Recommendations	Implemented within 1 year	Implemented within 2 years	Implemented within 3 years
2017	27	19	14	1
2016	28	20	13	0
2015	36	22	11	8

Source: Author, 2019

It was noted that one school was new. Some recommendations were implemented in more than one year hence overlaps in implementation. On 2015 implementations, two schools managed to implement their recommendations in one year while the other 8 schools to 3 years. In 2016, all schools under study implemented their recommendations in two years and the same in 2017 except one school that will implement beyond two years mark.

4.2 Research questions testing

4.2.1 To what extend do principals' financial management skills influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?

The principals with public finance management skills demonstrated ability to interpret and implement audit recommendations. 91% of the principals possessed some financial skills indicated desire to acquire more financial management skills.

4.2.2 To what extend does school internal controls influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?

Board of Management superintend the management of public schools beside approval of all plans and budget hence it's the most effective internal control in public schools. These BoMs played roles in resource mobilization, this helped in future planning, budgeting and school management. Planning, in planning the boards assisted in ensuring good planning including budgeting. The boards monitored budget implementation for accountability. They ensured that schools adhered to plans, approved procurement plans including their reviews. The boards approved infrastructural projects which led to orderly structure. Oversight role in school projects. Further, the boards approved final accounts for accountability and efficiency in the schools.

4.2.3 To what extend do BOM financial management skills influence implementation of financial audit reports in Muthesya and Ndithini education zones public secondary schools?

All the schools that responded had validly constituted Boards of Management in that they met the one third gender rule and were more than five as required by law. They met per termly except two schools which once fell short of this and in one term a school board met twice during the period under study. Approved audit reports were submitted to the BoMs and this contributed towards transparency and review. The reports were submitted to the BoM for review to ensure accountability and efficiency in the school's activities. The respondents explained that BoMs help in resource mobilization, budgeting and for proper use of available resources,

4.2.4 To what extent does the relevance of audits reports influence their implementation in Muthesya and Ndithini education zones public secondary schools

The respondents indicated relevance of the audit reports and this contributed to their implementation. Specifically, the respondents indicated that; auditors gave quality information and reports, accurate and their recommendations were easy to implement can lead to proper management.

These reports further aided in accountability, planning and budgeting process in public schools.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The researcher used questionnaire to collect most of the data compared to observation and interviews. All questionnaires were returned representing 100% responses return.

5.2 Summary of findings

Schools in these education zones prepared and receive approved audit reports on time and they positively taken these recommendations hence the high level of audit report implementation during the period under study.

All the schools had validly constituted boards of management. They were active during the study period and played their oversight role including approving and reviewing school plans, budgets and procurement plans. The played crucial role in infrastructural development, resource mobilization allocation and utilization.

It was noted that review of procurement plans was triggered by market commodity price and climatic changes.

The respondents felt that the number of students in a school determined its financial capacity hence a school with high student population had no issues raising required finances and hiring personnel such as Bursar.

Inadequate land space hindered infrastructural development in these schools besides financial capacity.

5.3 Conclusion

Although School Auditors did good work, their output is affected by their numbers on the ground vis-à-vis number of public secondary schools in their areas.

5.4 Recommendations

Capacity building of secondary school principals. The principals play critical role as accounting officers in their institutions. There is need besides the professional training they be training in managerial areas crucial to their roles like public finance management.

Secondary schools with inadequate finances or transactions to warrant recruitment of full time Bursar and Finance Officers can be encouraged to pull their resources together and jointly hire such staff.

In school management and development, Board of Management plays critical role as the highest financial and managerial decision making in school set up. Such boards require sensitization and training on their roles beside regular refresher trainings.

All the respondents unanimously agreed on the role school auditors play, there was expressed feelings that their numbers on the ground are not enough and there was felt need to increase their numbers.

5.4.1 Policy recommendations

For one to be appointed as a school Principal, he or she should demonstrate basic public financial management skills. Deployment of School Auditors at sub-county level and tabling of approved audit report before the Board of Management.

5.4.2 Recommendations for practice

Schools that have no capacity to hire a Bursar can co-hire if they are close to each other or acquire their services as need arises.

5.4.3 Recommendations for further research

The researcher recommends further research on the capacity of Board of Management given responsibilities bestowed upon them in public secondary schools. Further a research on ideal financial management skills principals should possess.

REFERENCES

- Accounting Standards Board, (2014) *Handbook of International*, Fourth Edition Vol. 1
- Clarke A 2012. *The handbook for school governors* (2nd ed). Cape Town, South Africa: Kate McCallum.
- Golafshani, N. (2003). *Understanding Reliability and Validity in Qualitative Research. The Qualitative Report*, 8(4), 597-606. Retrieved from <https://nsuworks.nova.edu/tqr/vol8/iss4/6>
- Government of Kenya, (2016) *Internal audit guidelines for national government entities*
- Government of Kenya (2017), *Education for Sustainable Development Policy for the Education Sector*
- Government of Kenya, (2010) *Constitution of Kenya*.
- International Federation of Accountant, (2010) Edition Part II, *Handbook of international quality control, auditing, review, other assurance, and related services pronouncement*, New York
- Kahaviza, R.K. (2003). “*Financial Management in public secondary schools in Kenya: A case of Municipality and Lurambi Divisions of Kakamega District*”: Unpublished M.Ed. Thesis. University of Eastern Africa Baraton
- Kibua, T., Akoten, J., Riechi, A. Burasa, T., Oyugi, L., Omolo, J., Muthama T. & Mukasa, G. Kombo D.K and Tromp D.L.A ,(2013) *Proposal and thesis writing, An introduction* (2008). *Making public secondary Education in Kenya Affordable. Nairobi: IPAR*
- Ministry of Education, Science and Technology, Kenya (2006), *Handbook of Financial Management*.
- Mobegi, F., Ondigi B., & Simatwa, E. (2012). *Factors Contributing to financial mismanagement and misappropriation in public Secondary Schools in Gucha District, Kenya*, 2(5), 2249- 2585
- Ochse KL 2004. *Preventing corruption in the education system: A practical guide*. Eschborn, Germany: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH. Available at http://toolkit.ineesite.org/toolkit/INEEcms/uploads/1038/Preventing_Corruption_In_The_Education_System.pdf. Accessed 19 August 2016
- Rangongo, P., Mohlakwana M. & Beckmann, J. (2016). Causes of financial mismanagement in South African public schools: The views of role players. *South African Journal of Education*, 36, 3, 1-10.
- Rosalind, L. & Downes, P. (2004). *Formula funding of schools, decentralization and corruption: A comparative Analysis*. Paris: *International Institute for Educational Planning (IIEP)*.

Svensson J 2005. Eight questions about corruption. *Journal of Economic Perspectives*, 19(3):19-42. doi: 10.1257/089533005774357860

The Government of Kenya, Basic Education Act, 2013

The Government of Kenya, Public Procurement Assets Disposal Act, 2015

Western Cape Education Department (WCED) 2009. *Basic financial systems for schools*. Cape Town, South Africa: Government Printers

APPENDIX I - Transitional Letter

To: _____

Dear Sir/Madam

RE: Introductory letter

I am a undergraduate student at Grets University pursing Bachelor of Commerce in Business Administration and Accounting.

As a requirement for the fulfillment of the degree, I intend to carry out research on factors that could affect financial audit reports implementation

Kindly spare some of your time to complete the questionnaire attached herein and to attend interview session. The information given will be handled with utmost confidentiality and will be used for this research purpose only.

Yours faithfully

Moses Kimani Mwangi

0721524435

rgckimani@gmail.com

APPENDIX II
WORKPLAN

The table below shows research work plan with cost in KShs.

Activity	Dates	Resources	Unit cost	Total cost	Responsibility
Drafting research proposal	23/1-15/5/2019	Reference materials and stationery		1,000.00	Researcher and Supervisor
Defense	20/6/2019	Bidding services – 4 copies	30	120.00	Supervisor, Defense Team and Researcher
Finalization of research proposal	By 17/6/2019	Laptop (Has one) Transport to and from University	200	800.00	Researcher and Supervisor
Data collection	20-26/6/2019	Questionnaire Transition letter\ Assistant Transport	3,000	6,000.00	Researcher and an assistant
Data analysis	27-29/7/2019	Laptop	2,000	2,000.00	Researcher
Report writing	28-31/7/2019	Stationery and Laptop and printing services	1,000	1,000.00	Researcher
Draft submission	5/7/2019	one draft	250	250.00	Researcher and Supervisor
Finalize report	7/7/2019	Laptop, Stationery Bidding service s	1,000	1,000.00	Researcher
Defense	11/7/2019	Power-point LCD Laptop Transport	500	500.00	Supervisor, Defense Team and Researcher
Correction	by 17/7/2019	Corrected reports Bidding services	2,000	2,000.00	Researcher and Supervisor
Total cost				14,670.00	

APPENDIX III
QUESTIONNAIRE

1. Background information

- Type of school (tick one) : [National] [Extra county] [County] [Sub-county]
- Sponsor : _____
- Zone : _____
- Status (tick appropriately) : [Girls] [Boys] [Mixed]
- Category (tick appropriately) : [Day only] [Boarding only] [Day and boarding]
- Approved enrolment : _____
- Actual Enrolment : _____

2. Fill the table below on financial statements for 2015-2017. *[tick for each entry as yes or no]*

Year	financial accounts prepared	financial accounts audited	approved	shared with BoM
2017	[Yes] [No]	[Yes] [No]	[Yes] [No]	[Yes] [No]
2016	[Yes] [No]	[Yes] [No]	[Yes] [No]	[Yes] [No]
2015	[Yes] [No]	[Yes] [No]	[Yes] [No]	[Yes] [No]

For any 'no' response, state the reason(s) _____

3. Did the auditor give recommendations for implementation? [Yes] [No]

If yes, indicate the number of recommendations for each year.

Year	No. of audit recommendations	No. of recommendations implemented the within 1 year	No. of recommendations implemented the within 2 years	No. of recommendations implemented the within 3 years
2017				

2016				
2015				

4. In the table above, are there recommendations that are not implemented? [Yes] [No]

If yes, fill the table below accordingly. You can use space provided in need be.

Year	No. of audit recommendations not implemented	List reasons for not implementing audit recommendations	Your recommendations
2017			
2016			
2015			

5. In your opinion, does audit exercise add value in public secondary schools? [yes] [no]

Give reasons for your response.

6. Give your general opinion on;

a. Quality of audit recommendations

b. Practicability of audit recommendations

c. Improvement that can be done on audit reports

7. Give your opinion on school capacity to implement audit recommendations with the following implications;

a. Financial cost

b. Human resource factors including staffing level and skills

c. Infrastructural and land factors

8. In your opinion, should a secondary school principal be responsible for financial management? [yes] [no]

Give the reason(s) _____

9. Who prepares your school final annual account?

[yourself] [finance officer] [accountant] [consultant] [bursar] [clerk] [teachers] [others]

State reason(s) why.

10. Are you able to interpret audited final accounts without any assistant? [yes] [no]

Give reason(s) _____

11. Do you possess adequate knowledge and skills to prepare school annual final accounts?

[yes] [no]

Give the reason(s) _____

12. Does the school have a validly constituted board of management? [yes] [no]

If no, outline reason(s) _____

If yes, fill the table below on its constitution.

Sex	Number	Any remark on the state of affairs
Female		
Male		
Total		

13. Has the board held quarterly meetings in the last four years? [yes] [no]

If yes, fill the table below.

Year	No. of full board meetings held	Any remark on the state of affairs
2018		
2017		
2016		
2015		

If no, outline reason(s) why not _____

14. In the last four years, has the BoM played any role in any of the following processes?
 [yes] [no]

Process	Yes No	Give reason(s) for each undertaking
Resource mobilization		
Budgets approval		
Budgets review		
Monitoring budget implementation		
Approving procurement plans		
Reviewing procurement plans		
Approving infrastructural projects		
Approving final accounts		
Oversight role in school projects		

Any comment on audit reports _____

Thank you for your time and responses