

The Effectiveness of Financial Control Environment in Promoting the Performance of the Universal Primary Education (UPE) Capitation Grant in Uganda



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ABSTRACT

The control environment is considered the bedrock for the effectiveness of the internal control mechanism, in promoting financial accountability and the performance of public service delivery programmes like the UPE capitation grant. An effective control environment is underpinned by factors such as the overall awareness, control consciousness, skills, positive attitude, commitment, and ethical values of personnel as well as robust communication mechanisms of programme information. The study explored the effectiveness of the internal control environment in promoting the financial accountability and performance of the Universal Primary Education capitation grant in Uganda. The study focused on factors such as skills, ethical values, commitment and information flow which were considered more relevant to the study. Findings showed that deficiencies in information flow, commitment, skills and ethical values of personnel, negatively impact the efficacy of the internal control systems in promoting the performance of the UPE capitation grant. To address the identified deficiencies in the control environment the study, recommended interventions such as a more effective mechanism for information flow, skilling of relevant personnel and sensitisation of actors involved in the implementation of the grant. This study contributes to literature on the utility of financial accountability in the performance development programmes.

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INTRODUCTION

The control environment is the pivot upon which the other internal control components rotate and it is a cardinal component that facilitates financial accountability of public service delivery programs.¹ The control environment of a government program encompasses factors like the overall awareness, control consciousness, attitude and commitment by political leadership and program personnel towards ensuring that internal controls are consistently applied in order to promote the financial accountability of the

¹ Nunuy Nur Afiah and Peny Cahaya Azwari, "The Effect of the Implementation of Government Internal Control System (GICS) on the Quality of Financial Reporting of the Local Government and Its Impact on the Principles of Good Governance: A Research in District, City, and Provincial Government in South Sumatera," *Procedia-Social and Behavioral Sciences* 211 (2015): 812; Sahabi Ibrahim, Gordon Diibuzie, and Mohammed Abubakari, "The Impact of Internal Control Systems on Financial Performance: The Case of Health Institutions in Upper West Region of Ghana," *International Journal of Academic Research in Business and Social Sciences* 7, no. 4 (2017): 687.

program.² It also includes the integrity or ethical values espoused by the leadership and personnel as well as their technical competence to implement the control measures instituted by government to safeguard financial resources.³ The focus was on skills, ethical values, commitment and information flow which were more relevant to the study.

This study adopts the definition by COSO, which considers the control environment as a set of parameters which comprise the attitude, integrity, philosophy of leaders and competence of technical personnel responsible for the UPE capitation grant, to provide acceptable financial accountability.⁴ It also includes human resource policies instituted by the government and the organisation structure of the primary schools which affect the functioning of the internal controls and financial accountability of the UPE capitation grant. Although most scholars⁵ consider information and communication a stand-alone component of internal controls, this study views it as an element of the control environment, because of its strong influence on the functionality of the control environment.⁶

Literature indicates that an effective control environment that promotes financial accountability and performance of a government program, in terms of efficiency and effectiveness, entails a positive leadership philosophy, management commitment and a high degree of integrity and ethical values demonstrated by total intolerance to corruption as well as information and communication.⁷ Ibrahim et al. note that ethical values are infectious.⁸ This is because according to scholars, the way the leadership of an institution conducts itself affects the manner in which the rest of the employees will behave with regard to compliance with internal controls. Widyaningsih and Barišić and Tušek suggest that when top management of a government program espouses a high degree of integrity and is committed to implementing the necessary controls, they will set a positive tone at the top and the rest of the employees of the program will emulate them.⁹ This will help to fight graft and to enhance financial accountability. For example, Mahadeen, Al-Dmour, Obeidat and Tarhini discovered that a culture of transparency and exemplary leadership in Jordan influenced the junior staff in those entities to adhere to internal controls thereby greatly boosting financial accountability.¹⁰

However, if the top management is morally lacking, or if their interests are not aligned with those of the program, they will negatively influence the lower cadres to abuse the internal control measures.¹¹ As observed by Sambo and Imiete, corrupt top management can even go to the extent of colluding with junior staff to divert institutional resources, thereby defeating financial accountability which inevitably affects the performance of the capitation grant.¹² Othieno and Nyangechi found out that the involvement of the Kenya Ministry of Education officials in massive fraud of resources for the Free Primary Education

² Ioan-Ovidiu Spatacean, "Addressing Fraud Risk by Testing the Effectiveness of Internal Control over Financial Reporting—Case of Romanian Financial Investment Companies," *Procedia Economics and Finance* 3 (2012): 231; Aristanti Widyaningsih, "The Influence of Internal Control System on the Financial Accountability of Elementary Schools in Bandung, Indonesia," *Research Journal of Finance and Accounting* 6, no. 24 (2015): 91.

³ Mugo Jeremiah, Munene, "Effect of Internal Controls on Financial Performance of Technical Training Institutions in Kenya" (2013), 22; Job Dubihlela and Lisa Nqala, "Internal Controls Systems and the Risk Performance Characterizing Small and Medium Manufacturing Firms in the Cape Metropole," *International Journal of Business and Management Studies* 9, no. 2 (2017): 91; Nguyen Ngoc Thach et al., "Measuring the Volatility of Market Risk of Vietnam Banking Industry after the Low Inflation Period 2015–2017," *Review of Pacific Basin Financial Markets and Policies* 23, no. 04 (2020):140.

⁴ COSO (Committee of Sponsoring Organizations of the Treadway Commission), *Integrated Framework: Executive Summary, Framework and Appendices, and Illustrative Tools for Assessing Effectiveness of a System of Internal Control (3 Volume Set)* (United States: COSO, 2013), 3.

⁵ COSO, *Integrated Framework: Executive Summary, Framework and Appendices.. (3 Volume Set) I*, 3.

⁶ Ekaterina Rosenkrans and Svetlana Åhlin, "The Interrelationship between Different Components of Internal Control," 2015, 13.

⁷ Dubihlela and Nqala, "Internal Controls Systems and the Risk Performance Characterizing Small and Medium Manufacturing Firms in the Cape Metropole," 92; Cecilia Lelly Kewo, "The Influence of Internal Control Implementation and Managerial Performance on Financial Accountability Local Government in Indonesia," *International Journal of Economics and Financial Issues* 7, no. 1 (2017): 296.

⁸ Ibrahim, Diibuzie, and Abubakari, "The Impact of Internal Control Systems on Financial Performance: The Case of Health Institutions in Upper West Region of Ghana."

⁹ Widyaningsih, "The Influence of Internal Control System on the Financial Accountability of Elementary Schools in Bandung, Indonesia," 91; Ivana Barišić and Boris Tušek, "The Importance of the Supportive Control Environment for Internal Audit Effectiveness—the Case of Croatian Companies," *Economic Research-Ekonomska Istraživanja* 29, no. 1 (2016): 1023.

¹⁰ Buthayna Mahadeen et al., "Examining the Effect of the Organization's Internal Control System on Organizational Effectiveness: A Jordanian Empirical Study," *International Journal of Business Administration* 7, no. 6 (2016): 22–41.

¹¹ Philip Ayagre and Julius Aidoo-Buameh, "Ethical Values, Integrity and Internal Controls in Public Sector Organisations: A Developing Country Perspective," *Management & Accounting Review (MAR)* 16, no. 2 (2017): 41–58.

¹² Francis Sambo and Benneth Umoghani Imiete, "Internal Control System as a Mechanism for Effective Fund Management of Universities in Bayelsa State, Nigeria," *Global Journal of Social Sciences* 17 (2018): 77–91.

program, led to widespread abuse throughout the entire sector up to the primary school level.¹³ This resulted in losses of hundreds of millions of Kenya shillings. This led to the failure of the program to provide financial accountability leading to the withdrawal of donor funds. Furthermore, Babatunde argues that unless the government acts firmly against employees of a program who violate internal controls, the internal control system will be rendered impotent and will not be able to support financial accountability.¹⁴ This implies that the officials concerned with the implementation of public service delivery programs should exhibit a high degree of integrity. In addition, the government must not abet corruption, instead, it should act firmly upon deviant officials for financial accountability to be achieved.¹⁵

The control environment is the principal factor influencing the effectiveness of the internal control system and the performance of institutions across various sectors and nations.¹⁶ Lai, Li, Lin and Wu established that poor financial performance in terms of unreliable financial statements and low return on assets (ROA) of firms listed on the US stock markets was prominently attributed to weaknesses of the control environment like poor commitment of leadership.¹⁷ According to the OECD, the control environment has continued to attract significant attention as an area of concern that requires improvement in the fight to eliminate corruption and enhance financial accountability for public resources and improve public service delivery in the Middle East and North African Countries.¹⁸ In addition, Muhunyo and Jagogo found that a poor control environment in the form of inadequate skilled manpower negatively influences the financial accountability of institutions of higher learning in the Nairobi County of Kenya.¹⁹ Ibrahim et al. established that the financial performance of health institutions in Ghana is heavily impacted by the control environment.²⁰ In Uganda, there are a number of studies that show that the control environment greatly influences the financial accountability of public sector programs.²¹ However, there are not many studies that specifically explain what makes the control environment effective in enhancing the performance of the UPE capitation grant in Uganda. Therefore the article is aimed at exploring the effectiveness of the internal control environment in promoting the financial accountability and performance of the Universal Primary Education capitation grant in Uganda. Ekaterina and Svetlana propose that there is a need to constantly review and update the information on policies and guidelines of a program to ensure that it is relevant for the operationalisation of internal controls.²²

METHODOLOGY

The researchers employed an exploratory research design, utilizing a literature review and semi-structured interviews to investigate the capitation grant of the Universal Primary Education (UPE) program. Through purposive sampling, the researchers selected 45 key participants from various organizational levels, including officials from the Ministries of Education and Sports, Finance, Planning and Economic Development, as well as local education administrators, school inspectors, auditors, head teachers, and school management committee members in Bugiri District. The study combined document analysis of

¹³ Simeyo Otieno and Eliud Onyiego Nyangechi, "Effectiveness of Internal Control Procedures on Management Efficiency of Free Primary Education Funds: A Case of Public Primary Schools in Kisii Central District, Kenya," 2013, 23.

¹⁴ Shakirat Adepeju Babatunde, "Stakeholders' Perception on the Effectiveness of Internal Control System on Financial Accountability in the Nigerian Public Sector," *International Journal of Business and Management Invention* 2, no. 1 (2013): 31.

¹⁵ Adrian Mwesigye, "The Advent of Universal Primary Education (UPE) in Uganda: Challenges and Possible Solution," *Journal of Educational Research and Studies* 3, no. 1 (2015): 8.

¹⁶ Dubihlela and Nqala, "Internal Controls Systems and the Risk Performance Characterizing Small and Medium Manufacturing Firms in the Cape Metropole"; Kewo, "The Influence of Internal Control Implementation and Managerial Performance on Financial Accountability Local Government in Indonesia"; Ibrahim, Diibuzie, and Abubakari, "The Impact of Internal Control Systems on Financial Performance: The Case of Health Institutions in Upper West Region of Ghana."

¹⁷ Syou-Ching Lai et al., "The Influence of Internal Control Weaknesses on Firm Performance," *Journal of Accounting and Finance* 17, no. 6 (2017): 89.

¹⁸ OECD, "Public Governance Reviews. Internal Control and Risk Management for Public Integrity in the Middle East and North Africa," 2017, 10.

¹⁹ B. M. Muhunyo and A. Jagongo, "Effect of Internal Control Systems on Financial Performance of Public Institutions of Higher Learning in Nairobi City County, Kenya," *International Academic Journal of Human Resource and Business Administration*, 3(2) (2018) :287.

²⁰ Ibrahim, Diibuzie, and Abubakari, "The Impact of Internal Control Systems on Financial Performance: The Case of Health Institutions in Upper West Region of Ghana," 693.

²¹ Harriet. Senkaali, "Challenges of Accounting for the Universal Primary Education Capitation Grant in Luwero District, Uganda" (2014), 67; Dickens Odongkara, "Internal Control Systems And Financial Performance Of Municipal Urban Councils In Northern Uganda: A Case Study Of Kitgum Municipal Urban Council," Afribary, 2021, 7.<https://afribary.com/works/internal-control-systems-and-financial-performance-of-municipal-urban-councils-in-northern-uganda-a-case-study-of-kitgum-municipal-urban-council>.

²² Rosenkrans and Åhlin, "The Interrelationship between Different Components of Internal Control," 13.

practitioner reports with thematic primary data analysis to examine how the financial control environment impacts the UPE capitation grant's performance in Uganda.

PRESENTATION AND DISCUSSION OF FINDINGS

Ethical values and commitment of sub-county chiefs

The researchers sought to find out the ethical values and commitment of the sub-county chiefs toward enforcing the implementation of the internal controls. The majority of the sub-county chiefs reported that as immediate supervisors they appraise the head teachers annually. In addition, they indicated they rely on the head teachers' reports to enforce internal controls. However, one of the sub-county chiefs reported that it is not easy to get reports from the head teachers. Another sub-county chief recounted that “ as sub-county chiefs, we supervise and conduct annual appraisals for the head teachers, but it is not easy to get reports from them on the capitation grant”. Another one added that “ when you ask for reports from the head teachers, they will keep dodging you until the year comes to an end.” There was a general feeling among the sub-county chiefs that the head teachers do not pay allegiance to them, so they do not feel obliged to regularly furnish reports to them. The testimonies by the sub-county chiefs show poor information sharing between the head teachers and the sub-county chiefs which reflects loopholes in the information and communication mechanism thus weakening the internal control environment.

Just like the SMCs, the sub-county chiefs revealed that they are frustrated by the fact that when they report head teachers who have diverted the grant to the district officials, no firm action is taken against the culprits. One of them reported that “we are often discouraged from reporting fraudulent headteachers to the district authorities. This is because whenever we report such head teachers, the district authorities, take no serious action upon the culprits. Instead, they just transfer them to other schools.” Others went further to narrate that they are sometimes perturbed to hear that the head teachers who have flouted internal controls have instead been rewarded with transfers to bigger schools. A key participant remarked that “rewarding errant head teachers with transfers to bigger schools with bigger budgets, makes some of us suspect that the district officials are accomplices to the malpractices of the head teachers.”

Due to discouragement, some sub-county chiefs reported that their passion to monitor the grant is waning and they have ended up distancing themselves from the operations program. One participant testified that “we hardly get in contact with this money, so keep our hands clean.” The attitude of the sub-county chiefs reveals that they have an inadequate commitment to enforcing the application of the internal controls. As supervisors, the sub-county chiefs are presumed to have adequate authority to enforce the submission of information. That way they will motivate the head teachers to adhere to the internal controls. This is because the head teachers are unlikely to speak about their own failures in complying with the internal controls, in their own reports. Such reports are likely to gloss over the weaknesses of the head teachers in implementing the internal controls. The lukewarm commitment of the sub-county chiefs in enforcing the internal controls may be emboldening the head teachers to subvert the internal controls the more. This is likely to negatively affect the efficacy of the internal control system, thereby exposing the capitation grant to risks like misappropriation. The responses by the SMCs and sub-county chiefs also reveal a lack of feedback by the district authorities to reports of irregularities in the practice of internal controls. The lack of feedback from the district authorities is an indicator of gaps in the information and communication arrangements in place. The poor information and communication mechanism is contributing to a lack of commitment by the SMCs and sub-county chiefs to apply the internal controls of the UPE capitation grant which undermines the efficacy of the internal control system and exposes the grant to risks of diversion of funds by the head teachers. This confirms the findings by Brown, Call, Clement, and Sharp which suggested that lack of feedback from senior officials deflates the confidence and commitment of enforcers of internal controls to continue reporting abuses of internal controls which undermines the effectiveness of the internal controls.²³

The Commitment of District Officials

The study then sought to find out the commitment of the district officials to enforce the implementation of the internal controls. Participants from the DEO's office recounted that as the department directly

²³ Lawrence D Brown et al., “Inside the ‘Black Box’ of Sell-side Financial Analysts,” *Journal of Accounting Research* 53,no.1(2015):1–47.

charged with efficient and effective utilisation of the UPE capitation grant in the district, they are committed to ensuring that the grant delivers its intended objectives. One key informant from the department illustrated;

..despite the limited budget for monitoring education programs in the district, we prioritise this program. We endeavour to visit a number of schools to enforce compliance with the internal controls by the head teachers. Such visits enable us to detect any non-conformities to internal controls and to ensure that the head teachers correct them.

However, the respondents in the DEO's office reported that their commitment to enforcing the adherence to internal controls by the head teachers is tampered with by the inadequate resources for inspecting the activities of the head teachers. The District Inspector of Schools (DIS) narrated;

"We would have wished to inspect every school to monitor the implementation of internal controls, at least once a term, but it is very difficult to get fuel and allowance. Districts do not have resources to fund this exercise and yet there is no provision for facilitation on the grant, so often we just give up".

However, it is worth noting that a key informant from the MoFPED revealed that the DEO and DIS in fact receive a special fund for monitoring education programs in the district. The study sought to establish what action the DEO takes in the event that they receive reports on headteachers accused of breaching internal controls. The DEO said that

"... sometimes they are transferred from a big school to a small school. For example, there is one head teacher whose name I will withhold, he used to use UPE funds for his personal interests now and again, we would warn him but he would never change, so we transferred him to a small school with little money".

This is contrary to the findings of Roach who suggests that parties who are delegated to deliver services on behalf government who are the principals should face stiff sanctions if they renege on their commitment to deliver.²⁴ However, the DEO revealed that although they are committed to taking tough measures against head teachers who flout the internal controls, their efforts are frustrated by people who make reports but do not substantiate them with sufficient evidence to support disciplinary action. The responses of the SMCs, sub-county chiefs and DEO generally reveal that they all have an inadequate commitment to enforcing the adherence to internal controls by the head teachers. In addition, the behavior of the above stakeholders towards the enforcement of the internal controls reveals a lot of laxity and com towards internal controls. No wonder there is hardly any official who can directly check the practices of the head teacher. This provides the head teachers with a free way to blatantly flout the internal controls, which exposes the program to risks of abuse of resources. This corroborates the findings by Dubihlela and Nqala, which reveal that poor attitude and lack of commitment of the key implementers of a government program to enforce internal controls greatly weakens the effectiveness of the internal control system and undermines the performance of service delivery by a government program.²⁵

Central Government Officials and internal controls

The researcher then proceeded to interview the central government officials including officials from the MoFPED and MoES, to establish their commitment to enforcing the internal controls. Officials at the MoFPED mentioned that they enforce the implementation of internal controls through Chief Administrative Officers (CAOs) who are appointed by the Permanent Secretary/ Secretary to Treasury (PS/ST) of the MoFPED, as accounting officers of the districts. They narrated that the PS/ST signs contracts with the CAOs whom they delegate to enforce the efficient and effective use of public resources including the UPE capitation grant. One informant revealed that "A CAO who fails to enforce the accountability of the grant, will have their contract revoked".

²⁴ C. M. Roach, "An application of principal agent theory to contractual hiring arrangements within public sector organisation." *Theoretical letters*, 2(01) (2016) :29.

²⁵ Dubihlela and Nqala, "Internal Controls Systems and the Risk Performance Characterizing Small and Medium Manufacturing Firms in the Cape Metropole," 92.

In addition, the MoFPED officials revealed that they demonstrate their commitment by allocating resources to the DEO and DIS for monitoring the education programs including the UPE capitation grant, to see to the functioning of the internal control systems, and to guard against risks of loss of resources. A key informant from the MoFPED testified that “We entrust the DEOs to ensure that at the district level, internal controls are effected and money properly accounted for. When deviations in the application of internal controls arise, we question them first and hold them accountable”.

Furthermore, the MoFPED officials were asked to explain what actions were taken when they received reports of contravention of internal controls by the head teachers. One MoFPED official recounted that when they receive reports of a head teacher who contravenes the internal controls of the UPE capitation grant, they send a team from the MoFPED or sometimes they request the district internal auditor to investigate and furnish a report. If the concerned head teacher is found culpable, then they are referred to the CAO for further disciplinary action. This implies that despite the fact that the MoFPED wires funds directly to the schools, there is no mechanism that enables the MoFPED to take firm action against head teachers who misappropriate the UPE capitation grant. The reliance of the MoFPED on the CAOs to take action against errant head teachers delays the process of disciplinary action and affords the head teachers the opportunity to frustrate the disciplinary process against them. In addition, it is contrary to the principal-agent theory which stipulates that there should be a mechanism to enable the principal to promptly sanction a deviant agent.

Another key respondent from the MoFPED reported;

“As a Ministry, we are more interested in releasing money. We are not concerned with what happens after money has reached the intended beneficiary. In cases where we receive reports of mismanagement of the grant by the head teachers, we instruct the Ministry of Education to investigate because they have the mandate to investigate.”

This contradicted the responses of the previous informant which reveals inconsistency in the processes of following up on the proper utilisation of the capitation grant by the MoFPED. The researcher then reviewed the UPE guidelines to establish if the MoFPED is specifically mandated to enforce the accountability of the head teachers for the capitation grant. It was discovered guidelines just require the MoFPED to release funds for the UPE capitation grant upon the advice of the MoES. However, the guidelines are silent about the obligation of the MoFPED to enforce adherence of the head teachers to the internal controls. This may explain the low commitment of the MoFPED to the enforcement of observance of the internal controls by the head teachers. This must be giving room to the head teachers to ignore the implementation of the internal controls thus exposing the grant to risks of abuse.

MoES officials and internal controls

The study then undertook to determine the attitude and commitment of officials at the MoES, towards the enforcement of the internal controls on the capitation grant. The interviewees affirmed that as the line ministry mandated the successful implementation of the UPE capitation grant, they are committed to ensuring that the internal controls are complied with by the head teachers. A key respondent reported;

“As a ministry, our enforcement is carried out through the DEO’s office which furnishes us with reports on how the grant is being utilised by the schools. In case we detect cases of unsatisfactory performance of the grant, we take DEOs to task to explain, since they are directly responsible for all UPE programs in their districts.”

Another informant recounted that “within our limited budget for monitoring, we sample out schools in various districts and conduct on-the-spot visits to schools to promote compliance of head teachers to internal controls.”

However, the informants from the MOES reported that their commitment is eroding the meagre budget for school monitoring. A key interviewee narrated “Imagine the country has over 150000 schools. It requires a substantial budget to visit a sizeable number of these schools, to make an impact. But the MoFPED does not allocate it to us. So you want to do the job but you are incapacitated.” Another respondent remarked “Sometimes we receive reports about errant head teachers, especially from members

of parliament, were are helpless due to inadequate resources to conduct an on-the-spot investigation. So you refer the matter to the DEO who might also see resource constraints.”

This paints a picture of the MoES as being toothless, which erodes its clout to enforce compliance with internal controls. The result is to weaken the internal control system, leading to exposure of the grant to abuse. This tallies with the findings by Otieno and Nyangechi which revealed that the Free Primary Education program in Kenya suffered heavy losses of funds due to the poor commitment of officials at the Ministry of Education towards the implementation of the internal controls.²⁶

Operationalization of Internal Controls

The study then undertook to establish which personnel are charged with operationalizing the internal controls. It was discovered that the head teacher is the accounting officer of the school. An accounting officer is mandated to operationalize the internal controls in the entity they are charged with. This implies that the head teacher is responsible for operationalizing the internal controls for all government programs implemented by the school including the UPE capitation grant. It was also revealed the SMCs are charged with making sure that the internal controls of the capitation grant are operationalized to safeguard the grant from loss. The study also discovered that operationalizing the internal controls entails accounting work which requires one to possess accounting skills. This is also in line with best practice and the international accounting standards (IAS).

In light of the above findings, the study undertook to ascertain whether the head teachers and SMCs who are the front-line staff charged with operationalizing the internal controls of the UPE capitation grant possess accounting skills to enable them to perform their duties effectively. Majority of the head teachers revealed that they did not have the accounting skills required to implement the internal controls for the capitation grant. A head teacher testified that “I do not have any skills, but since I have been a head teacher for a very long time, I try to depend on some experience I have gained in accounting”. Another head teacher revealed “I do not have the accounting skills to carry out the accounting work. Sometimes I call my son who has knowledge of accounts to help me with making accountability statements and verifying them. He also helps me to balance books.”

This means that the head teachers may not be able to effectively apply the internal controls due to the absence of skills. Just like the head teachers, many SMCs reported that they did possess the accounting skills to enable them to perform their internal control tasks - like verification of expenditures and purchases by the head teachers. One SMC remarked “We do not have the accounting skills to verify the expenditure statement produced by the head teacher. The headteacher writes everything on the blackboard, and then he interprets for us what is written so that we can understand.”

One head teacher revealed that “some members of the school management committee sometimes fail to understand in depth the meaning of budget votes, so they end up advocating for items not budgeted for under UPE capitation grant.” In addition, a key informant at the DEO’s office recounted that “many members of the School Management Committees are illiterate and so they lack the skills to grasp the policies and procedures stipulated in the UPE guidelines.”

The study probed further to find out if there is a policy on training the Headteachers and SMC to bridge their accounting skills gap. It was revealed that the district organises workshops for head teachers and SMCs, but these workshops are either meant for inducting new head teachers and new SMCs or for sensitisation of the participants on the UPE program in general. Some respondents reported that the workshops are often too short and do not have much content on accounting skills. One head teacher recounted “I remember attending one workshop on financial literacy at the district, but it did not contain much accounting to enable us to gain the necessary accounting skills to perform the accounting work.” When the researcher, probed the DEO to find out why the district does not arrange training for head teachers and SMCs to equip them with some accounting skills to enable them operationalize the internal controls for the capitation grant, the respondent explained that the “the government does not allocate much money to our department for training and the district cannot afford to provide such training.”

²⁶ Simeyo Otieno and Eliud Onyiego Nyangechi, “Effectiveness of Internal Control Procedures on Management Efficiency of Free Primary Education Funds: A Case of Public Primary Schools in Kisii Central District, Kenya,” 2013, 23.

The responses reveal that there may not be a mechanism for capacitating the head teachers and SMCs with the relevant accounting skills to effectively operationalize the internal control system. The researcher then reviewed the organisation structure of the school to find out whether there is a provision for an accounts staff like a bursar who has the accounting skills, to support the head teacher in implementing the internal controls for the UPE capitation grant. It was discovered that the school organisation structure does not provide for the position of a school bursar. One head teacher confirmed that “our schools do not have the position of a bursar, so head teachers have to grapple with doing accounting alone.” This leaves a vacuum in terms of personnel with accounting skills required to effectively operationalize the internal controls, which is likely to weaken the internal control system and expose the UPE capitation grant to risks like abuse of funds. Failure to build the professional capacity of the head teachers and SMCs contravenes the Accounting Instructions 2017 section 6.3.2 which mandates the Accounting officers of the ministries to put in place a framework for building professional competence of staff charged with operationalizing the internal controls.²⁷ This concurs with the suggestion by Sambo and Imiete, that the personnel in charge of implementing internal controls should have adequate accounting skills to enable them to practice the internal controls, in order for the internal control system to function well enough to guard an institution from vices like fraud.²⁸

Lastly, the research undertook to find out if there is a policy to reward the personnel who are charged with operationalizing the internal controls for the UPE capitation grant, in order to motivate them to safeguard the grant from misappropriation. It was discovered that the UPE guidelines are silent on the remuneration of personnel. The study revealed that the SMCs who are key to enforcing the functionality of the internal control, are not remunerated. A review of the Education Act 2008 and other documents, revealed that the SMC is considered a governance body that is supposed to carry out oversight responsibilities on a voluntary basis. However, the study found that the duties performed by the SMCs are beyond mere oversight. These duties are more routine, operational tasks like signing cheques, verifying purchases by the head teachers, and accountability statements which require a lot of time from the SMCs. Therefore, failure to remunerate the SMCs is contrary to best practice and literature which suggest that if personnel engaged in operationalizing the internal controls are not well remunerated, they may be demotivated and tempted to engage in unethical practice.²⁹

One SMC member narrated that “one of the challenges we face is that some members cannot attend because we lack facilitation yet we need to monitor the grant.” A key informant at the MoES commented that “the policy of not remunerating is no longer sustainable. Some members of the SMC have become smarter; they work hand in hand with head teachers and get some money from the grant to reward themselves”. The responses reveal that the absence of a policy to remunerate the SMCs may be demotivating them from enforcing the implementation of the internal controls by the head teachers and fuelling corruption. It may also explain why the SMCs are demanding payment before performing their duties like signing cheques and attending meetings. This corroborates the findings by Dzumira which indicated that personnel can commit fraud if they have a feeling that they are being cheated or not adequately compensated for their efforts.³⁰ All this will result in weakening the effectiveness of the internal control system and exposing the grant to risks like fraud.

RECOMMENDATIONS

The study suggests a number of recommendations to address some of the identified gaps. First, it is recommended that the government should emphasise the training of headteachers and SMCs in basic accounting skills to enable them to promote grant accountability. This may call for boosting the district allocation for capacity building in the education sector. Second, the government should update the UPE guidelines to align them with the current legislation and policies to make them relevant for the enforcement of accountability and promotion of the performance of the UPE capitation grant. Third, the mechanisms

²⁷ MoFPED (Ministry of Finance Planning and Economic Development), “Performance of the Economy Report,” March 2017, 81.

²⁸ Francis Sambo and Benneth Umoghani Imiete, “Internal Control System as a Mechanism for Effective Fund Management of Universities in Bayelsa State, Nigeria,” *Global Journal of Social Sciences* 17 (2018): 83.

²⁹ Sambo and Imiete, “Internal Control System as a Mechanism for Effective Fund Management of Universities in Bayelsa State, Nigeria,” 83.

³⁰ Shewangu Dzumira, “Internal Controls and Fraud Schemes in Not-for-Profit Organisations: A Guide for Good Practice,” *Research Journal of Finance and Accounting* 5, no. 2 (2014): 125.

of distributing the UPE handbook should be streamlined to ensure that they get to the hands of the key users. Fourth, to address the gap of inadequate segregation of duties, the headmaster should delegate some of the responsibilities embedded in the cycle of the capitation grant to the deputy headteacher. This is expected to facilitate checks and balances in the expenditure process of the grant, thereby strengthening financial accountability. Fifth, to bridge the gap in information flow, the flow of information about the UPE capitation grant to various stakeholders should be streamlined to enable critical stakeholders to access it regularly and timely.

CONCLUSION

The article aimed to explore the effectiveness of the internal control environment in promoting the financial accountability and performance of the Universal Primary Education capitation grant in Uganda. The findings show that there are deficiencies in certain aspects of the control environment identified above, which negatively affect the functioning of the internal control systems and undermine the efficiency and effectiveness of the UPE capitation grant. The absence of a policy to remunerate the SMCs may be demotivating them from enforcing the implementation of the internal controls by the head teachers and fuelling corruption. There is limited access to the UPE guidelines by critical stakeholders such as the head teachers, SMs and Sub-county chiefs, which are supposed to be used as reference points by officials charged with the implementation and enforcement of the internal controls posed a threat of denying them the capacity they need to enforce the internal controls and thus compromising the effectiveness of the internal controls. The inadequate commitment and poor ethical values espoused by the head teachers who are the key implementers have rendered the internal control system porous thereby exposing the grant to risks like leakage of resources. The head teachers collude with the SMCs to misappropriate funds by enticing the SMCs with little money in order to endorse forged receipts for non-existent purchases. To curb these challenges various recommendations have been provided and if stakeholders implement them, internal control systems will be strengthened which will further enhance the effective distribution of the UPE capitation grant.

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