



The Influence of Budgeting and Financial Reporting on Financial Accountability in Primary Education Programs in Uganda

John Nakabago ¹  & Costa Hofisi ² 

¹ North-West University, South Africa & Uganda Management Institute, Kampala Uganda.

² North-West University, South Africa.

ABSTRACT

Budgeting and financial reporting are widely acknowledged as crucial mechanisms for promoting the financial accountability of institutions for the resources entrusted to them. Financial statements enable delegated institutions like schools, to provide financial information to users (who include central governments, donors and citizens) as the principals, to evaluate how funds have been used to deliver services. This article aimed to investigate the effectiveness of budgeting and financial reporting in enhancing the financial accountability of primary education programs, especially the UPE capitation grant in Uganda. The study conducted an exploratory review of literature and used semi-structured interviews to collect data. The findings revealed several challenges which haunt the effectiveness of budgeting and financial reporting in enhancing financial accountability. The guidelines did not allow officials any flexibility in utilising the grant according to their priorities. The head teacher is solely responsible for producing the accountability statements yet they do not have the skills to write the books of accounts which means that accountability statements produced by the head teachers may not meet the accuracy and reliability requirements. The gap of deficiency of skills among the key actors is a dominant finding, that undermines the role players' effectiveness in promoting accountability and performance of the capitation grant. The gaps discovered in the budgeting and financial reporting process imply that there is a need for sufficient budgeting and financial reporting skills that will enhance the approval process and monitoring of the budget for the capitation grant. State the contribution of this study to scholarship.

Correspondence

John Nakabago

Email:

johnnakabago@gmail.com

Publication History

Received: 3rd October, 2024

Accepted: 10th December, 2024

Published online:

30th December, 2024

Keywords: *Budgeting, Financial Reporting, Financial Accountability, Universal Primary Education Capitation Grant.*

INTRODUCTION

Budgeting is widely acknowledged to be a crucial mechanism for promoting the financial accountability of institutions for the resources entrusted to them.¹ Budgeting and financial reporting

¹ Siti Alawiah Siraj and Yusuf Karbhari, "Financial Accountability of Waqf (Pious Endowment) Institutions in Malaysia: The Case of Budgeting Practices in State Islamic Religious Councils," in *British Accounting and Finance Association 2014 Conference*, 2014, 1–

have a significant influence on financial accountability Budgeting entails the process by which an entity forecasts the revenue expected to be generated over a period of time (usually one year) and the expenditure expected to be incurred to execute predetermined activities over the same period.² The concept of budgeting in the public sector encompasses the process of projecting the funds expected to be allocated by the government to a program over a given period and determining the priority program activities (which are critical to the service delivery), on which expenditure will be incurred.³ Scholars suggest that for budgeting to effectively support financial accountability, it requires to meet certain criteria.⁴ One such prerequisite is budget transparency.⁵ Budget transparency refers to the extent and ease with which personnel and stakeholders of an institution can access information about and provide feedback on expected revenue allocations and expenditures over a given period.⁶ Budget transparency entails the establishment by the government of a mechanism for sharing budget information on such issues as criteria for allocation of resources. It also entails avenues for receiving feedback from stakeholders.⁷ ODI emphasises that budget transparency is achieved only when central government and local governments mainstream information on budgets for government programs in their communication functions.⁸

According to OECD and Lulaj, budget transparency provides clarity on the utilisation of public resources which is necessary for holding public officials accountable.⁹ Also, Lulaj notes that public expenditure is vulnerable to abuse, misuse and fraud, budget transparency facilitates the prevention of corruption and fosters the effective and efficient use of resources.¹⁰ Jalaluddin et al. contend that the budget of a government program should be made public in order to afford the public an opportunity to hold the program managers accountable.¹¹ It is argued that if the budget is not transparent, it cannot be scrutinised, monitored, or evaluated, which breeds corruption and undermines financial accountability.¹² For example, it was discovered that the municipalities of Kosovo state were not transparent enough in their budgeting process. This was evidenced by shortcomings such as lack of access to public documents by stakeholders and poor linkage between budget planning and utilisation and poor reporting on budget allocated to programs. This bred corruption and poor financial accountability of the municipalities.¹³ It was also found out that although the government in Tanzania allocates about 1.3 trillion shillings to the education sector, due to lack of budget transparency, it is not

24; Eugenio Anessi-Pessina et al., "Public Sector Budgeting: A European Review of Accounting and Public Management Journals," *Accounting, Auditing & Accountability Journal* 29, no. 3 (2016): 491–519.

² Samuel Pimpong and Henrietta Laryea, "Budgeting and Its Impact on Financial Performance: The Case of Non-Bank Financial Institutions in Ghana," *International Journal of Academic Research and Reflection* 4, no. 5 (2016): 12–22.

³ Kenneth Odour Adongo and Ambrose Jagongo, "Budgetary Control as a Measure of Financial Performance of State Corporations in Kenya," *International Journal of Accounting and Taxation* 1, no. 1 (2013): 38–57.

⁴ Enkeleda R Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm," *International Journal of Scientific Research* 9, no. 6 (n.d.).

⁵ OECD, "Public Governance Reviews. Internal Control and Risk Management for Public Integrity in the Middle East and North Africa," 2017; Overseas Development Institute (ODI), *Public Financial Management and Health Service Delivery Necessary, but Not Sufficient?* (London: Overseas Development Institute, 2017); Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

⁶ Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

⁷ Overseas Development Institute (ODI), *Public Financial Management and Health Service Delivery Necessary, but Not Sufficient?*; Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

⁸ Overseas Development Institute (ODI), *Public Financial Management and Health Service Delivery Necessary, but Not Sufficient?*.

⁹ OECD, "Public Governance Reviews. Internal Control and Risk Management for Public Integrity in the Middle East and North Africa"; Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

¹⁰ Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

¹¹ Jalaluddin Muslim A Djalil and Rahmah Maulana, "Influence of the Implementation of the Performance-Based Budgeting on the Performance Accountability of the Regional Government Institutions (Study at the City Government of Banda Aceh)," *Research Journal of Finance and Accounting* 8, no. 6 (2017): 25–33.

¹² Moolchand Raghunandan, Narendra Ramgulam, and Koshina Raghunandan-Mohammed, "Examining the Behavioural Aspects of Budgeting with Particular Emphasis on Public Sector/Service Budgets," *International Journal of Business and Social Science* 3, no. 14 (2012): 110–17; Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

¹³ Lulaj, "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm."

clear on which programs the money is spent, hence making it difficult for citizens to demand accountability.¹⁴

Another parameter that is often emphasised is stakeholder participation in the budgeting process.¹⁵ Proponents of participation argue that involving the stakeholders of an entity in the budgeting process secures their commitment to monitoring funds allocated to a government program to ensure that the funds are not diverted.¹⁶ According to Zhang and Liao, there is a need to create an avenue for dialogue between the government and stakeholders in order to facilitate their instant input during the budgeting process.¹⁷ This makes stakeholders feel that their views are valued and it motivates them to demand financial accountability from the program managers. It was found out for example, that the engagement of stakeholders in public hearings, workshops and regular meetings, elicited effective participation in the budgeting process in the Municipalities of the state of New Jersey USA. This generated effective participation of stakeholders and encouraged them to track the utilisation of the resources allocated to programs, thereby enhancing financial accountability.¹⁸

However, Zhang and Liao point out that budgeting being a technical process requires the government to make deliberate efforts to ensure that stakeholders especially in rural areas who may lack skills, are enabled to participate.¹⁹ It is argued that this enables the stakeholders to influence the budgeting process. The authors further argue that participation by the stakeholders is largely affected by the attitude and perception of government officials in facilitating the process. There are some critics who argue that involving stakeholders like local political leaders in the budgeting process for locally implemented programs may attract bickering and political opportunism which may affect the way resources are allocated and utilised.²⁰ However, it is generally acknowledged that the dividends accruing from involving stakeholders, far outweigh the costs.²¹

There is a considerable body of literature that affirms the contribution of budgets to enhancing the financial accountability of public sector programs. However, there is not enough literature on what makes budgets work in fostering financial accountability of primary education programs, especially the UPE capitation grant in Uganda. Rabovsky explored the impact of budgets on public accountability of government programs in several states in the USA and established that performance-based budgets were used to improve financial accountability through rewarding good performance and sanctioning poor performance, but this was in institutions of higher learning in a developed country.²² Similarly, it was discovered by Cuganesan that budgeting helped to improve financial accountability and generally the efficient and effective use of public resources by government programs in the national government of Australia by linking the allocation of resources to performance achievements by a program, but again this was in the developed world.²³ Dzomira found out that well-implemented budgets in South Africa helped to curtail wasteful and fruitless expenditures in public sector entities.²⁴

This study does not however specifically focus on the primary education sector. Vian reviewed the impact of budgeting on the financial accountability of institutions in the health sector in Lesotho and found that budgets indeed played a significant role in influencing revenue allocations to the sector

¹⁴ HakiElimu, *Are We Effectively Investing in Education? Monitoring Education Sector* (Dares Salam: HakiElimu, 2014).

¹⁵ Raghunandan, Ramgulam, and Raghunandan-Mohammed, "Examining the Behavioural Aspects of Budgeting with Particular Emphasis on Public Sector/Service Budgets"; Yuguo Liao and Yahong Zhang, "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role," *International Review of Public Administration* 17, no. 2 (2012): 19–38.

¹⁶ Thomas M Rabovsky, "Accountability in Higher Education: Exploring Impacts on State Budgets and Institutional Spending Patterns," *Journal of Public Administration Research and Theory* 22, no. 4 (2012): 675–700.

¹⁷ Liao and Zhang, "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role."

¹⁸ Liao and Zhang, "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role."

¹⁹ Liao and Zhang, "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role."

²⁰ Liao and Zhang, "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role."

²¹ Jun Ma and Yilin Hou, "Budgeting for Accountability: A Comparative Study of Budget Reforms in the United States during the Progressive Era and in Contemporary China," *Public Administration Review* 69 (2009): S53–59.

²² Rabovsky, "Accountability in Higher Education: Exploring Impacts on State Budgets and Institutional Spending Patterns."

²³ Suresh Cuganesan, "The Design of Performance Budgeting Processes and Managerial Accountability Relationships," in *Public Budgeting in Search for an Identity* (Routledge, 2020), 50–67.

²⁴ Shewangu Dzomira, "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): 118–26.

and reducing the diversion of resources.²⁵ Magani and Gichure established that effective budget implementation by County governments in Kenya facilitated financial accountability and ensured efficient and effective resource utilisation through the prevention of waste, but the research mainly focuses on the performance of the budgets at the macro level but did elaborate on what makes budgets work at the individual program level.²⁶ Kavuma et al. assessed the governance of the Universal Primary Education (UPE) program in Uganda, in which they discovered that budgeting enhanced the governance of the UPE program in Uganda by facilitating the monitoring of the program by key actors like the School Management Committee members (SMCs).²⁷ However, the researchers do not deal specifically with the capitation grant. Therefore, the article aims to investigate the effectiveness of budgeting and financial reporting in enhancing the financial accountability of primary education programs.

Financial Reporting and How It Affects the Financial Accountability

The decentralisation by central governments, of the delivery of services like education to local government authorities, has become a common feature in many countries including those in the developing world. This has necessitated the transfer of responsibility over huge public resources for implementing service delivery programs, to local government-managed institutions like primary schools.²⁸ To ensure the efficient and effective use of the resources, there is a paramount need for governments to institute mechanisms like financial reporting to facilitate the financial accountability of public resources by the decentralised institutions. A critical tool for financial reporting which will be the focus of this study, is the financial statements. Financial statements are the major vehicle for conveying information that enables the central government as the principal and other stakeholders to hold the decentralised institutions (as the agents), accountable for the public funds allocated to them for implementing government programs.²⁹

According to Dewi, Bandy and Eivani, financial statements enable delegated institutions like schools, to provide financial information to users (who include central governments, donors and citizens) as the principals, to evaluate how funds have been used to deliver services.³⁰ The mandatory financial statements in the public sector include statements of financial performance (expenditure statements), statements of financial position (balance sheet), and statements of cash flow. With regard to the UPE capitation grant the major financial statement required from schools is the fund accountability (or expenditure) statement as stipulated by the capitation grant guidelines

The literature suggests that effective or acceptable financial statements for the public sector should satisfy certain standards and these include timeliness, relevance, accuracy, comparability and reliability.³¹ Dewi observes that in order to produce quality financial statements that meet the above criteria, institutions must possess a structure that provides for sufficient competent staff with

²⁵ Taryn Vian, "Implementing a Transparency and Accountability Policy to Reduce Corruption: The GAVI Alliance in Cameroon," *U4 Brief* 2013, no. 9 (2013).

²⁶ Geoffrey Abwao Magani and Joseph Gichure, "Influence of Public Participation on Budget Implementation by Kenyan City Counties," *International Journal of Management and Commerce Innovations* 5 (2018): 194–209.

²⁷ Susan Namirembe Kavuma et al., *Assessment of Public Expenditure Governance of the Universal Primary Education Programme in Uganda* (ACODE, Advocates Coalition for Development and Environment, 2017).

²⁸ G V Chalam and Flavianus Benedicto Ng'eni, "A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities," *International Journal Of Research In Social Sciences* 7, no. 9 (2017): 820–27.

²⁹ Frank Doussy and Elza Doussy, "Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa," *Journal of Governance and Regulation* 3, no. 4 (2014): 27–35; Chalam and Ng'eni, "A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities"; N Dewi, S Azam, and SOUTH Yusoff, "Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability," *Management Science Letters* 9, no. 9 (2019): 1373–84.

³⁰ Dewi, Azam, and Yusoff, "Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability"; G. Bandy, *Financial Management and Accounting in the Public Sector* (Abingdon, Oxon: Routledge, 2015); Farzad Eivani, Kamran Nazari, and Mostafa Emami, "Public Accountability and Government Financial Reporting," *African Journal of Business Management* 6, no. 29 (2012): 8475.

³¹ Chalam and Ng'eni, "A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities."

accountancy skills.³² There must also be a strong internal audit function that provides a framework for ensuring the reliability of the statements.³³ In addition, Doussy and Doussy indicate that acceptable financial statements must comply with international financial reporting standards (IFRS).³⁴ IFRS are regulations, guidelines and standards which organisations in subscribing countries, follow in the preparation and presentation of financial statements, in order to promote transparency and comparability globally. This implies that there must be a framework which ensures that primary schools submit timely, accurate and reliable accountability statements for the UPE capitation grant to enable the government to make timely decisions regarding further release of funds to the schools.

To ensure that financial statements meet statutory and international standards, they have to be examined by external auditors (like the Auditor General, in the case of Uganda). In many jurisdictions, once the financial statements meet the above criteria, then they are cleared by the national Supreme Audit Agencies (Auditor General in the case of Uganda) as “unqualified”. An unqualified audit opinion is issued when the financial statements present a fair view of the state of affairs of a government program and when the financial statements comply with internationally accepted standards and government laws. An unqualified opinion therefore presumes that the financial statements are adequate and capable of supporting financial accountability.³⁵ However, an analysis of the literature presents evidence that there are institutions whose financial statements have been cleared by the Auditor Generals, which experience financial losses. For example, Dewi, found that the province of South Sumatra of Indonesia received four unqualified reports consecutively from the Supreme Audit Agency of Indonesia (BPK), but during the same period experienced losses of Rp 2.54 trillion (Indonesian money) and poor compliance with applicable laws among other accountability weaknesses.³⁶ That means that there is a need to establish what makes financial reports more impactful in supporting financial accountability.

Many authors have expounded on the role of financial statements in ensuring sound financial accountability and improved service delivery in public sector institutions.³⁷ Chalam and Ng’eni discovered that financial statements play a crucial role in reducing the abuse of government resources, enhancing the confidence of stakeholders to demand financial accountability and promoting service delivery in Tanzanian local governments.³⁸ In addition, Doussy and Doussy found that timely submission of financial statements by public schools in South Africa facilitated the government and other interested parties to hold School Governing Boards accountable for the funds allocated to the schools thereby curtailing the misappropriation of public funds and improving performance of school programs.³⁹ Opanyi reported that financial statements which met the International Public Sector Accounting Standards (IPSAS), contributed a lot to protecting public resources and enhancing transparency in financial decision-making in government departments in Kenya.⁴⁰ However, there are

³² Dewi, Azam, and Yusoff, “Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability.”

³³ Tatjana Horvat and Bernardka Žvorc, “The Impact of Internal Auditing on Financial Planning in Public Educational Institutions,” in *Proceedings of Management International Conference*, 2017.

³⁴ Doussy and Doussy, “Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa.”

³⁵ Doussy and Doussy, “Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa”; Chalam and Ng’eni, “A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities.”

³⁶ Dewi, Azam, and Yusoff, “Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability.”

³⁷ Dewi, Azam, and Yusoff, “Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability”; Robert O Opanyi, “The Effect of Adoption of International Public Sector Accounting Standards on Quality of Financial Reports in Public Sector in Kenya,” *European Scientific Journal* 12, no. 28 (2016): 161–87; Eivani, Nazari, and Emami, “Public Accountability and Government Financial Reporting.”

³⁸ Chalam and Ng’eni, “A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities,” 28.

³⁹ Doussy and Doussy, “Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa.”

⁴⁰ Opanyi, “The Effect of Adoption of International Public Sector Accounting Standards on Quality of Financial Reports in Public Sector in Kenya.”

not many authors who have explained what makes budgeting and financial reporting effective in enhancing the financial accountability of primary education programs, especially the UPE capitation grant in Uganda.

METHODOLOGY

The research adopted a qualitative approach targeting key actors on the capitation grant under the UPE program. The study conducted an exploratory review of literature and used semi-structured interviews to collect data. The study reviewed scholarly articles and practitioner reports to assess different debates on how financial accountability influences the performance of the UPE capitation grant. Semi-structured interviews were also carried out with officials from the Ministry of Education and Sports, Ministry of Finance, Planning and Economic Development, District Education officer, District Inspector of Schools, District Internal Auditor, Head Teachers and School Management Committee members from Bugiri District. The interviews were conducted to supplement the existing literature. Data was analysed to identify emerging themes and examine the influence of financial accountability on the performance of the UPE capitation grant. Conventional and summative content analyses were used to generate meaning from the data collected.

PRESENTATION OF FINDINGS AND DISCUSSION

Budgeting and how it influences financial accountability

This section aims to establish the effectiveness of budgeting in promoting financial accountability and the performance of the UPE capitation grant. The study first sought to understand the procedure followed by the school in budgeting for the capitation grant. The head teachers were asked how they budgeted for the capitation grant. Most of them seemed to be conversant with the budgeting process. They explained that they forward the pupil enrolment figures to the DEO who forwards the information to the MoES. It was further reported that based on the enrolment, each school is advised by the DEO, on the allocation for the year. The study learnt that based on the expected allocation, a work plan, and the budget, which are presented to the SMC for approval, before being forwarded to the district for consolidation and the district submits the consolidated budget to the MoES. This was confirmed by the DEO who reported that each school is given an IPF (indicative planning figure) for the year, to guide their budgeting. This is in line with the UPE guidelines, which require each school to produce an annual work plan before accessing the capitation grant.⁴¹

The study sought to find out how the budget information on the allocation of the grant is shared. Most head teachers reported that they are called for a meeting at the District where they receive circulars from the DEO indicating the allocation per school. This was confirmed by the DEO who indicated that they issue out circulars to schools where they communicate such information. On how the information is communicated to other stakeholders like the SMCs, there were mixed responses from the head teachers. One head teacher said, *"I normally call a meeting of the SMCs, and share all the information I receive from the district including the capitation grant."* Another head teacher reported, *"I pin all the information on the UPE capitation grant on the notice board."* Yet another revealed, *"I share the information with the SMCs when presenting the work plan for approval."* The responses from the head teachers reveal that there is a gap in sharing the information with the SMCs who are responsible for approving the budget and who are the key enforcers of internal controls and financial accountability.

The SMCs were asked how they received information on the allocation of the grant. Most SMCs indicated that they receive the information the work plan is presented to them for approval. One SMC said, *"It is difficult to tell how the allocation has arrived because it does not tally the enrolment, yet we are told it is based on enrolment."* When tasked to explain what mechanism exists for disseminating such information to stakeholders at the school level, the DEO explained, *"The head teachers are expected to ensure that they share the allocation with the stakeholders. We normally*

⁴¹ (MOES) Ministry of Education and Sports, "Guidelines on Policy Planning, Roles and Responsibilities of Stakeholders in the Implementation of Universal Primary Education (UPE) for Districts and Urban Councils," 2008, 3.

sensitise them during conferences sponsored by NGOs.” The responses revealed a gap in the sharing of the budget information. This implies that there is insufficient transparency in the budgeting process. As it was argued, if the budget is not transparent, it cannot be scrutinised, monitored or evaluated, which breeds corruption and undermines financial accountability.⁴² The inadequate sharing of budget information with key stakeholders like the SMCs implies that they are not able to effectively participate in the budget formulation and monitoring, which compromises financial accountability and performance of the grant.

The study then sought to establish the skills of the head teachers and SMCs for budgeting. Most head teachers reported having no problem with producing the budgets. However, majority of the SMCs complained that they had difficulty in following the process. One SMC member remarked, *“Many of us do not properly follow the process, but we are guided by the head teacher.”* Another commented, *“The document is produced in English which some of us have difficulty in understanding, but we are assisted by a few of our colleagues who are conversant with English.”* The fact that the SMCs do not have sufficient skills implies that they are not able to scrutinise the work plans for the capitation grant before approving them. This implies that the SMC is not able to perform its internal control responsibilities of enforcing financial accountability effectively, which undermines the performance of the capitation grant. In addition, the limited skills inhibit the effective participation of the SMCs which frustrates their commitment and capability to monitor budget implementation. The inadequacy of skills of the SMCs is creating a big gap, which weakens the effectiveness of the budget as an internal control tool and creates room for head teachers to divert the grant during implementation, thus undermining the performance of the capitation grant. This finding is in line with, Rabovsky who suggests that inadequate participation of key stakeholders in the budgeting process undermines their effectiveness in monitoring the budget implementation of government programs.⁴³

The findings reveal gaps of inadequate transparency, participation and skills in the budgeting process, which mar the effectiveness of the budget as a tool for augmenting accountability and performance of the grant. Asked what strategies would improve the effectiveness of budgeting in improving the accountability and performance of the grant, the DEO recommended that government should prioritise capacity building for SMCs in the area of financial literacy and budgeting in order to empower the SMCs to participate effectively in the budgeting process and to monitor budget implementation.

In summary there was a general consensus that the lack of flexibility in the budget undermined the performance of the grant. A head teacher complained, *“the budget does not allow us to plan according to our peculiar needs because it is strictly fixed by the Ministry (MoES)....., for instance, 50% is meant to go to scholastic materials, even though the cost of lesson preparation books increases or decreases in the market, you cannot go beyond that.”* Another SMC remarked *“We as beneficiaries find it difficult to tailor the budget to the peculiar needs of the school. It is like all schools are the same.”* The lack of flexibility is tempting the head teachers to flout the budget guidelines which undermines financial accountability and performance of the grant. Asked to suggest improvements in the budgeting system, most head teachers and SMCs concurred that schools should be allowed some minimal flexibility in the percentages in allocating funds among the votes. According to the participants, this discourages schools from diverting funds, which would enhance financial accountability and performance of the grant.

The Effectiveness of Financial Reporting and the performance of the UPE capitation grant

This theme sought to examine the effectiveness of financial reporting in influencing the performance of the UPE capitation grant. Under this theme, the study sought to establish how financial reporting promotes financial accountability and the performance of the grant. The researcher started by finding out how head teachers account for the capitation grant. There were varied responses to the procedure

⁴² Raghunandan, Ramgulam, and Raghunandan-Mohammed, “Examining the Behavioural Aspects of Budgeting with Particular Emphasis on Public Sector/Service Budgets,” 73.

⁴³ Rabovsky, “Accountability in Higher Education: Exploring Impacts on State Budgets and Institutional Spending Patterns,” 667.

for accounting. One head teacher narrated *“I make accountability reports, after Chairman School Management Committee, the sub auditors (referring to the sub-county sub accountant) come to school to check these files containing vouchers and receipts and see if they correspond with the budget. Then I submit to the district.”* Another one recounted, *“The school has sub-accountants to help write the budget and the Sub accountants do the work voluntarily. 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.”* Yet another head teacher stated *“We make accountability statements and reports that are verified by the school management committee. There are minutes from meetings held by the Finance Committee and these are taken to the District Education Officer.”* One more head teacher gave the following response *“Head teacher accounts. After sitting with the school finance committee, the school management is called, minutes are written receipts are kept in the file. There are account files and this includes voucher payments among others.”*

The responses prompted the researcher to find out about the skills of the head teachers in preparing the financial reports. Majority of head teachers revealed that they did not have the basic accounting or bookkeeping skills required for preparing accountability statements. The researcher probed the head teachers to ascertain if they had been exposed to any capacity-building workshop on basic accounting skills. Only one of them responded, *“The district sometimes offers refresher courses where we are trained on bookkeeping, and financial literacy skills.”* Majority however revealed that they have not attended any such training. The revelations prompted an inquiry from the DEO whether the head teachers as the accounting officers for the grant attend any workshops where they are imparted with some basic accounting skills. The DEO responded *“Our budget for capacity building is too small to enable us to conduct such training. In other districts, where NGOs operate, sometimes the NGOs sponsor capacity development workshops on financial literacy for head teachers.”*

The responses serve to confirm that head teachers do not have adequate basic accounting skills to produce quality accountability statements. Just as Dewi et al. observe, institutions require staff with accounting skills to be able to produce quality financial statements.⁴⁴ The fact that head teachers are the ones producing the accountability statements, makes one doubt the quality of the statements. Poor-quality financial statements undermine the principle of accuracy and are not able to support financial accountability and performance which is undermining the UPE capitation grant. This finding is in line with, Chalam and Ng’eni who point out that financial accounts need to be accurate and reliable in order to facilitate financial accountability.⁴⁵

The researcher then targeted the SMCs as the body charged with enforcing accountability of the grant, to ascertain when they have some basic accounting skills to enable them to interpret the accountability statements. Many of them confessed that they did not adequately understand the accountability statements. One of them reported that *“the head teacher writes the accountability statement on the blackboard and explains to us in Lusoga (the local language), then we are able to follow.”* Another SMC revealed, *“We depend on our colleagues who understand some English to guide us.”* The responses reveal gaps in the skills of the SMCs implying that the members are not able to interpret and use the accountability statements as a tool for enforcing the financial accountability of the grant.

The revelation created curiosity in the researcher to find out from the DEO about the basic accounting skills of the SMCs. The DEO commented, *“Some SMCs are illiterate but they are nominated because they belong to the foundation body of the school. Such people will depend on other members for interpretation in the local language.”* When probed whether the district provides some capacity building to SMCs in financial skills. The DEO reported that the district usually conducts induction workshops for the SMCs but does not have sufficient resources to provide capacity training in basic accounting skills to SMCs. The skills gap renders the governance body impotent as far as

⁴⁴ Dewi, Azam, and Yusoff, “Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability.”

⁴⁵ Chalam and Ng’eni, “A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities.”

using the financial statements to hold head teachers accountable is concerned, thus undermining the performance of the capitation grant. This finding resonates well with the argument advanced by Dewi et al, that users of financial statements require some basic accounting skills to interpret and use the information for promoting accountability.⁴⁶

With regard to internal audit, the study asked the district Chief Internal Auditor (CIA), how they audit the UPE capitation grant. The researcher learnt that the head teachers are asked to deliver the accountability statements to the district for audit. Asked whether they visit the schools the CIA reported, “*We sample only those schools which have accountability problems.*” This was confirmed by the DEO who reported that “*When the accountability statements sent in by a head teacher has queries, the district auditors visit the school, conduct an audit, and correct the head teacher.*” This implies that if a smart headteacher can assemble the documents very well and forward their file to the district for audit, it may never be discovered if the money was misappropriated. This creates a loophole in the financial accountability arrangement in place and compromises the performance of the grant.

The study then sought to find out from the CIA, how the external auditors audit the financial statements. The CIA responded, “*The external auditors call for a list of schools in the district and out of about 140 schools, they sample a few schools near the urban centre and they call for their accountability records which they audit and produce a report.*” Asked whether the external auditors visit any school, the CIA said “yes, they can sample a few schools which receive large amounts and they visit them”. Just as was reported by Doussy and Doussy, the reliability of financial statements is assured by external auditors thoroughly verifying them.⁴⁷ This implies that given the number of schools, the external auditor may not conduct a thorough audit of the accountability statements, which is likely to compromise the reliability of the accountability statements submitted by the schools and ultimately the performance of the UPE capitation grant.

RECOMMENDATIONS

Based on the discussion the following recommendations are made. Adequate budget transparency and budget flexibility are necessary for the commitment of budget implementers to comply with the budget guidelines which enhances the effectiveness of the budget as a tool for enforcing accountability and performance of the grant. The budget for capacity building for SMCs and head teachers in finance for non-finance officer workshops should be enhanced since this was raised by most of the participants. Since the findings reveal gaps in the skills of the SMCs implying that the members are not able to interpret and use the accountability statements as a tool for enforcing the financial accountability of the grant there is a need for capacitating SMCs to improve their effectiveness. Moreover, since SMCs concurred that schools should be allowed some minimal flexibility in the percentages in allocating funds since this discourages schools from diverting funds, which would enhance financial accountability and performance of the grant, the Government of Uganda may consider allowing that flexibility to enhance financial accountability.

CONCLUSION

This study aimed at investigating the effectiveness of budgeting and financial reporting in enhancing financial accountability of primary education programs, especially, the UPE capitation grant in Uganda. One can observe that there are several challenges that haunt the effectiveness of budgeting and financial reporting in enhancing financial accountability. The guidelines did not allow officials any flexibility in utilising the grant according to their priorities. This lack of flexibility compromised the commitment of the implementers on the ground to adhere to the set guidelines for expenditure. The head teacher is solely responsible for producing the accountability statements despite the fact that they do not have the skills to write the books of accounts implying that the accountability statements

⁴⁶ Dewi, Azam, and Yusoff, “Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability.”

⁴⁷ Doussy and Doussy, “Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa.”

produced by the head teachers may not meet the accuracy and reliability requirement for financial accountability. Regarding internal audit, it was discovered that internal auditors review the accountability statements and any other documents which are taken to the district headquarters by the head teachers but they do not visit majority of the schools to verify the stores or what the money has accomplished. The gaps discovered in the budgeting process imply that there is a need for sufficient budgeting skills that will enhance the participation of the SMCs in the approval process and monitoring of the budget for the capitation grant, thereby improving their effectiveness in performing their role of enforcing the accountability of the capitation grant.

BIBLIOGRAPHY

- Adongo, Kenneth Odour, and Ambrose Jagongo. "Budgetary Control as a Measure of Financial Performance of State Corporations in Kenya." *International Journal of Accounting and Taxation* 1, no. 1 (2013): 38–57.
- Anessi-Pessina, Eugenio, Carmela Barbera, Mariafrancesca Sicilia, and Ileana Steccolini. "Public Sector Budgeting: A European Review of Accounting and Public Management Journals." *Accounting, Auditing & Accountability Journal* 29, no. 3 (2016): 491–519.
- Bandy, G. *Financial Management and Accounting in the Public Sector*. Abingdon, Oxon: Routledge, 2015.
- Chalam, G V, and Flavianus Benedicto Ng'eni. "A Study on Participatory Budgeting in Decentralized Operations-A Case Study of Tanzanian Local Government Authorities." *International Journal Of Research In Social Sciences* 7, no. 9 (2017): 820–27.
- Cuganesan, Suresh. "The Design of Performance Budgeting Processes and Managerial Accountability Relationships." In *Public Budgeting in Search for an Identity*, 50–67. Routledge, 2020.
- Dewi, N, S Azam, and SOUTH Yusoff. "Factors Influencing the Information Quality of Local Government Financial Statement and Financial Accountability." *Management Science Letters* 9, no. 9 (2019): 1373–84.
- Djalil, Jalaluddin Muslim A, and Rahmah Maulana. "Influence of the Implementation of the Performance-Based Budgeting on the Performance Accountability of the Regional Government Institutions (Study at the City Government of Banda Aceh)." *Research Journal of Finance and Accounting* 8, no. 6 (2017): 25–33.
- Doussy, Frank, and Elza Doussy. "Financial Statements and the Discharging of Financial Accountability of Ordinary Public Schools in South Africa." *Journal of Governance and Regulation* 3, no. 4 (2014): 27–35.
- Dzomira, Shewangu. "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): 118–26.
- Eivani, Farzad, Kamran Nazari, and Mostafa Emami. "Public Accountability and Government Financial Reporting." *African Journal of Business Management* 6, no. 29 (2012): 8475.
- HakiElimu. *Are We Effectively Investing in Education? Monitoring Education Sector*. Dares Salam: HakiElimu, 2014.
- Horvat, Tatjana, and Bernardka Žvorc. "The Impact of Internal Auditing on Financial Planning in Public Educational Institutions." In *Proceedings of Management International Conference*, 2017.
- Kavuma, Susan Namirembe, Kiran Cunningham, George Bogere, and Richard Sebagala. *Assessment of Public Expenditure Governance of the Universal Primary Education Programme in Uganda*. ACODE, Advocates Coalition for Development and Environment, 2017.
- Liao, Yuguo, and Yahong Zhang. "Citizen Participation in Local Budgeting: Mechanisms, Political Support, and City Manager's Moderating Role." *International Review of Public Administration* 17, no. 2 (2012): 19–38.
- Lulaj, Enkeleda R. "The Reflection Of The Financial Position Of Enterprises Through Logistical Regression And Natural Logarithm." *International Journal of Scientific Research* 9, no. 6 (n.d.).

- Ma, Jun, and Yilin Hou. "Budgeting for Accountability: A Comparative Study of Budget Reforms in the United States during the Progressive Era and in Contemporary China." *Public Administration Review* 69 (2009): S53–59.
- Magani, Geoffrey Abwao, and Joseph Gichure. "Influence of Public Participation on Budget Implementation by Kenyan City Counties." *International Journal of Management and Commerce Innovations* 5 (2018): 194–209.
- Ministry of Education and Sports, (MOES). "Guidelines on Policy Planning, Roles and Responsibilities of Stakeholders in the Implementation of Universal Primary Education (UPE) for Districts and Urban Councils," 2008.
- OECD. "Public Governance Reviews. Internal Control and Risk Management for Public Integrity in the Middle East and North Africa.," 2017.
- Opanyi, Robert O. "The Effect of Adoption of International Public Sector Accounting Standards on Quality of Financial Reports in Public Sector in Kenya." *European Scientific Journal* 12, no. 28 (2016): 161–87.
- Overseas Development Institute (ODI). *Public Financial Management and Health Service Delivery Necessary, but Not Sufficient?*. London: Overseas Development Institute, 2017.
- Pimpong, Samuel, and Henrietta Laryea. "Budgeting and Its Impact on Financial Performance: The Case of Non-Bank Financial Institutions in Ghana." *International Journal of Academic Research and Reflection* 4, no. 5 (2016): 12–22.
- Rabovsky, Thomas M. "Accountability in Higher Education: Exploring Impacts on State Budgets and Institutional Spending Patterns." *Journal of Public Administration Research and Theory* 22, no. 4 (2012): 675–700.
- Raghunandan, Moolchand, Narendra Ramgulam, and Koshina Raghunandan-Mohammed. "Examining the Behavioural Aspects of Budgeting with Particular Emphasis on Public Sector/Service Budgets." *International Journal of Business and Social Science* 3, no. 14 (2012): 110–17.
- Siraj, Siti Alawiah, and Yusuf Karbhari. "Financial Accountability of Waqf (Pious Endowment) Institutions in Malaysia: The Case of Budgeting Practices in State Islamic Religious Councils." In *British Accounting and Finance Association 2014 Conference*, 1–24, 2014.
- Vian, Taryn. "Implementing a Transparency and Accountability Policy to Reduce Corruption: The GAVI Alliance in Cameroon." *U4 Brief* 2013, no. 9 (2013).

ABOUT AUTHORS

Dr John Nakabago is the Director for Finance and Administration at the Uganda Management Institute in Uganda.

Costa Hofisi is a Professor and Founding Research Director of the Afrocentric Governance of Public Affairs at North-West University.