INTRODUCTION

Control activities are recognised as the measures or tools that the government institutes to operationalize the internal control system to be able to prevent or mitigate risks such as fraud, misappropriation of resources, and misstatement of records, that can undermine the effectiveness and efficiency in the use of public resources.\(^1\) While the other components of the internal controls render support to the functionality of the system, the control activities are the measures that drive the internal control system to ensure that the directives, policies, and guidelines of government are complied with.

by personnel while implementing a government program.\textsuperscript{2} Bruwer, Smit and Siwangaza, clarify that while a sound internal control system is anchored on the control environment which provides an enabling atmosphere, the system is propelled by functional control activities.\textsuperscript{3} Therefore, control activities are defined as actions which are established through policies and procedures to ensure that management directives aimed at combating risks that threaten the attainment of program objectives are implemented.\textsuperscript{4} This study looks at control activities as the policies, procedures, and practices which the government establishes to mitigate risks like embezzlement, diversion and misappropriation of funds that might impair the efficiency and effectiveness of the UPE grant.\textsuperscript{5}

However, while massive investments have been injected into the UPE globally and especially in Africa (and some achievements registered, especially with regard to increased enrolment), accountability has remained a concern to Governments and Funding agencies\textsuperscript{6} for example, report that while enrolment has been increasing, many children drop out before completing the fifth grade and particularly in Africa, just 51\% of children complete primary school.\textsuperscript{7} Nishimura et al. also point out that increased investments into service delivery can only result in improved access to quality services if accountability by the public servants is emphasised.\textsuperscript{8}

In Uganda, research studies reveal that accountability for resources invested in the UPE is a concern to governments and citizens.\textsuperscript{9} The UPE was introduced in Uganda in 1997 with the main objective of providing the minimum necessary facilities and resources to enable Ugandan children of school-going age (6 – 12) to enter and remain in school and complete the cycle of primary education; make education affordable by the majority of Ugandans; equitable to eliminate disparities and inequities and to reduce poverty by equipping every individual with basic skills.\textsuperscript{10} Among the resources provided by the government of Uganda (GoU) under the UPE policy is the Capitation Grant, which is the focus of this article.

LITERATURE REVIEW

Literature reveals that the functionality of control activities in enhancing the effectiveness of internal controls is contingent upon some factors. Firstly, it is suggested that sound control activities must be well documented and communicated to all staff to create awareness and to ensure that they are well


\textsuperscript{10} Lawrence Bategeka and Nathan Okurut, “Universal Primary Education, Uganda, Policy Brief 10,” London: Inter-Regional Inequality Facility, 2006, 1.
understood. Secondly, it is emphasised that control activities should be applied consistently to ensure they address risks effectively. Spatacean found that the management of the Romanian Financial Investment companies neglected segregation of duties in the accounts function and consistent verification of accounting records and this exposed the entities to risks of manipulation of records which resulted in unreliable financial reporting.

In addition, Odek and Okoth propose that control activities should be applied comprehensively and consistently at all levels and in all functions of the institution or government program. This implies that control activities should be applied in every aspect of an entity’s operations, for example, procurements, human resources, accounts, stores, and payments, depending on the nature of business or operations of the program. This is because risks like fraud or forgeries can occur while transactions are being carried out in any operation or function. COSO and Widyaningsih, argue that if control activities are selectively applied to a few areas, the institution or program may suffer losses or fraud in functions that are not covered. Hume reported that World Bank projects in East Asian Countries experienced fraud in their procurements due to insufficient application of control activities and verification of documentation related to those transactions.

However, Bruwer et al., assert that control activities involve costs like manpower, equipment and other resources, to apply them. Therefore, the authors propose that to ensure relevance and cost-effectiveness, control activities should be tailored to the needs of the institution or program. On the other hand, Akinleye and Kolawole argue that control activities should only be applied to high-risk areas so as to achieve the cost-effectiveness of the internal control system.

Many scholars like Sambo and Imiite, Eton et al. and Hume now acknowledge that control activities are indispensable for the functionality of the internal control system in institutions across the private and public sectors. Bilgi et al. reveal that the consistent implementation of control activities like information processing and checking of records for accuracy, facilitated the production of accurate and reliable financial statements in small Turkish companies. In addition, Kumuthinidevi found that the effecting of control activities like the authorisation of loans and verification of the data on borrowers by personnel of the commercial banks in Sri Lanka promoted the effectiveness of the internal control systems in reducing the risks of losses from loan defaulters. Furthermore, Munene reported that the implementation of control activities like proper separation of roles between the board

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21 Ismail Bilgi, Lyudmila Mihaylova, and Emil Papazov, “Internal Control Activities in Small Turkish Companies,” 80.

of governors and management resulted in improved financial management of government technical colleges in Kenya.\textsuperscript{23}

On the other hand, Yakubu et al. studied the banking industry in Ghana and reported that poor record keeping, practices, and failure to conduct regular reconciliations negatively affected the efficacy of the internal control systems of the banks and exposed the banks to fraud, which undermined their performance.\textsuperscript{24} Eton et al. further discovered that inconsistent practicing of control activities like budget approvals and cash expenditure controls exposed Kabale District Local Government in Uganda to risks like fraud, which resulted in poor budget performance by the district.\textsuperscript{25}

Many authors have identified a variety of control activities which are implemented by organisations both in the private and public sectors to fight risks, but the common ones include: performance reviews, accounting controls, personnel controls, supervisory controls, procurement controls, segregation of duties, internal audit, physical controls, authorization and approvals and verification.\textsuperscript{26} However, this study will focus on control activities proposed by Widyaningsih and Otieno and Nyangechi, which are pertinent to a decentralised basic education program like the UPE capitation grant which is a physical control measure.\textsuperscript{27}

Although there is a lot of literature linking control activities to the prevention of risks in organisations, majority of the studies are concentrated on business entities and large public sector agencies like government departments and local governments.\textsuperscript{28} However, there has not been much research on the practicing of control activities by small institutions like primary schools especially in Uganda. It is also worth noting that although control activities have been widely applauded for fighting risks that threaten the performance of institutions, they are also associated with a lot of costs which sometimes tempt some institutions especially the small ones to shun them.\textsuperscript{29}

**METHODODOLOGY**

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 in Bugiri, Uganda. 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


\textsuperscript{25} Mwosi, Mutesigensi and Ebong, “The Role of Financial Management in Supporting Firm Growth in Uganda, the Case of West Nile Region,” 107.


\textsuperscript{27} Otieno and 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,” 25.


\textsuperscript{29} Dzomira, “Internal Controls and Fraud Schemes in Not-for-Profit Organisations: A Guide for Good Practice,” 119.
Management Committee members from Bugiri District in Uganda. 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
This section presents findings on how control activities in the UPE program affect the internal controls and subsequently financial accountability of the grant. The findings focus on physical controls in the UPE capitation grant. Under physical controls, emphasis was placed on mechanisms for securing cash and inventory. This is because the bulk of the resources in UPE primary schools are held in cash and inventory in the form of stationaries and scholastic materials.

The mechanisms for securing cash were investigated and head teachers were asked how they kept cash drawn from the bank. One head teacher stated, “When the grant is received in the school bank account, I withdraw cash which I keep at school for a day or two before I buy the various items in the budget”. Another testified that “when I draw the money from the bank, I normally take it with me to my home since I have to spend it the following day.”

A few head teachers reported that they kept the money in filing cabinets in their offices while the majority mentioned that they kept it in a locker attached to their office desks. Only one head teacher stated that they had a cash box in their office. These responses revealed that the head teacher is in charge of withdrawing and securing money from the bank. The response on keeping cash raised curiosity about how much money is withdrawn on average. It was revealed that on average each school receives three million Uganda Shillings (UGX 3,000,000), equivalent to United States Dollars 900, which is released once per term and is all withdrawn upon receipt. The practice of withdrawing all the release in cash created interest in the withdrawal policies of the UPE grant. It is worth noting that the UPE guidelines are silent about the handling of cash. However, the Treasury Instructions section 17.2.1 states that ready cash should be reserved for payment of small incidental expenditures such as postage and other small costs. The head teachers on the other hand are drawing over and above petty cash which means that they are contravening the policy and thus creating an irregularity in cash management at the school level.

The irregularity exposes the cash to a lot of risks in the form of theft or temptation to divert it to personal use, right from the bank to the school or home. The head teachers were asked why the schools do not have cash boxes. Most of them responded that the program did not have a provision for buying such facilities. One head teacher narrated that “we do not have money to buy cash boxes and filing cabinets and as you know, the UPE policy forbids schools from collecting school fees, which would finance such items that are not provided for by the capitation grant.”

The findings above reveal that physical control for the custody of cash in UPE schools is weak. This puts other school assets at risk of burglary by individuals who may get to know that there is cash in the office. Scholars like Sambo and Imiete, Eton et al and Hume opine that control activities are indispensable for the functionality of the internal control system. The weak physical controls create an urge for the head teachers to divert resources contrary to Bukenya and Kinatta who emphasize the need to have robust and traceable procedures for storing cash. This means that currently, there are

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gaps in the internal control system created by the absence of a robust physical control mechanism for cash thus undermining the financial accountability for the grant.

It was noted that about 60% of the cash withdrawn is eventually converted into inventory such as scholastic materials and stationaries. The custody of the inventory was explored to find the effectiveness of the physical controls in safeguarding the inventory from theft, misuse, or damage. It was discovered that in most schools, accounts records and inventory such as scholastic materials and stationaries are kept in the head teachers’ offices. It was also noted that the head teachers’ offices visited have doors that are securely locked. This prompted the study to deep dive into the inventory management system. A review of the inventory management process exposed some gaps affecting the entire physical control system. It was discovered that the receipts and issues of inventory were not properly recorded in the store ledgers. The head teachers were asked who is responsible for the management of the inventory and the majority reported that they manage the inventory themselves. Head teachers were asked whether stock counts were conducted to reconcile the physical stock with the balances reflected in the records. It was found that stock counts are not regularly carried out.

Most of the head teachers expressed ignorance about the requirement for stocktaking. One of them retorted that “no one has ever mentioned to us about counting the inventory.” Moreover, the UPE guidelines are silent about stocktaking. However, the Treasury Instructions section 15.6.3, stipulates that accounting officers should ensure that inventories in public stores are verified by stocktaking at least once a year. This was a clear indication that the inventory management system was deficient. Otieno and Nyangechi observed that a lack of accounting skills at the primary school level frustrated the execution of control measures like checking accounting records and verifying financial transactions for the Free Primary Education (FPE) program in Kenya. To emphasise the importance of skills, Ejoh and Ejom cite the case of Tertiary institutions in Nigeria, where it was observed that control activities failed to deliver due to failure to capacitate staff in the requisite skills, thereby undermining financial accountability. Empowerment.

The lack of proper documentation for the inventory indicates that there is a discrepancy between what is reported to be bought and what is actually bought. This is also contrary to the Treasury Instructions section 15.6. This partly explains why the school management committees (SMCs) in section 3.5.1 complain that they cannot readily verify some expenditure statements. The absence of proper inventory records is a significant dodge making the system prone to manipulation of documents like receipts and payment vouchers. The fact that head teachers themselves are responsible for maintaining the records and custody of the inventory exacerbates the matter. This means that there are no checks and balances with little or no mechanism to hold the head teacher accountable for the failure to reconcile the physical inventory and the records through stock counts. This creates a major setback to the effectiveness of the internal control system of the UPE primary schools. It also means that the stewardship over the UPE capitation grant resources is poor and dents the performance of the grant.

COSO suggests that the effectiveness of control activities depends a lot on the existence of structures and policies that support the clear assignment of duties and responsibilities to staff. The fact that head teachers are also responsible for maintaining the records and custody of the inventory means that there are no checks and balances which are critical in ensuring the effectiveness of control activities. There is evidence in the tertiary institutions in Nasarawa state in Nigeria, where it was discovered that the right people were not assigned to the right jobs, with the effect of poor supervision, irregular production of management accounts and overall weak internal control structure. Also, an

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34 Otieno and 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,” 31.
analysis of the performance of control activities in Croatia revealed that inappropriate structures that stifle supervision were sighted as some of the factors that negatively affect the proper functioning of controls and financial accountability.\(^{39}\)

**RECOMMENDATION**
The functionality of financial control activities will be enhanced if the physical control activities are reinforced and all the receipts and inventories are managed effectively. Since there has not been much research on the practicing of control activities by small institutions like primary schools especially in Uganda, this article contributes to the body of knowledge focusing on this specific area. The study also recommends the need to review the inventory management process and the entire physical control system in institutions.

**CONCLUSION**
This article was aimed at investigating the functionality of financial control activities in a decentralised basic education programme in Uganda. It sought to determine how the Universal Primary Education Programme control activities (UPE) in that country affect the financial accountability of the grant. The findings above reveal that the financial control activities in this UPE programme are dysfunctional. This is explained by physical control for the custody of cash in UPE schools which is weak thereby putting other school assets at risk of burglary by individuals who may get to know that there is cash in the office. A review of the inventory management process revealed some gaps which affect the entire physical control system. The inventory management system is also deficient since most of the head teachers expressed ignorance about the requirement for stock-taking.

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