

# Chapter 6:

## Guidelines for Financial Accounting

In many systems, schools are required to keep accounts by law. But even where they are not required by law, clear and comprehensive accounts are essential. This is for the following reasons:

- \* to prevent fraud. Many schools have found themselves in trouble because of accusations that individuals have taken school money. Sometimes these accusations are justified; sometimes they are not. But in the absence of good accounts it is impossible to prove the case one way or the other.
- \* to allow school authorities to forecast future expenditures.
- \* to record how much has been contributed, and by whom.
- \* to help ensure a continuing flow of grants from governments and donors, who are more likely to continue support if presented with clear and regular accounts.
- \* to obtain loans — schools find it much easier to do this when they can show the lender that they are well organised, and know how and when they can pay back money.

Accounts do not need to be complicated. The chief items of information which they should show are how much money was received from each source and how much was spent for each purpose. They should be compiled at regular intervals. Many schools do this at the end of each month, and prepare summaries at the end of each term and year.

An example of the way accounts might be laid out is provided on the next three pages. It shows income and expenditure separately, and relates back to the balance in the previous account. The figure

**KIANGARA SECONDARY SCHOOL ACCOUNTS, APRIL 1987**

**INCOME**

1. School Fees*		\$840.00	
2. Rent from Teachers' Houses*		150.00	
3. Government Grants			
1. Teachers' Salaries (3 staff)	1284.28		
2. Rural Improvement Programme	<u>400.00</u>		
	1684.28	1684.28	
4. Others			
1. Sale of School Crops	48.74		
2. Interest from Bank account	268.10		
3. MP's donation	<u>500.00</u>		
	816.84	816.84	
		<u>3491.12</u>	

**EXPENDITURE**

1. Salaries			
1. Three teachers (govt. grant)	\$1284.28		
2. Mr Kingsly (employed by Community)	410.10		
3. Miss Sule (employed by Community)	382.80		
4. Miss Klaxson (typist)	215.18		
5. Mr Albert (night watchman)	<u>170.26</u>		
	2462.62	2462.62	
2. Maintenance			
1. Paint for double classroom	143.20		
2. Door of Miss Sule's house	29.00		
3. Repairs of Form II desks	<u>126.40</u>		
	298.60	298.60	
3. Others			
1. Stationery	200.56		
2. Electricity	94.11		
3. Refreshments for Governors	<u>15.30</u>		
	309.97	309.97	
4. Petty Cash			
1. Miscellaneous*	19.47	19.47	
		<u>3090.66</u>	

\* Details in attached lists

## KIANGARA SECONDARY SCHOOL ACCOUNTS, APRIL 1987

## INCOME FROM SCHOOL FEES

<b>Form IV</b>	1. Abraham Audu	\$40	<b>Form II</b>	1. Rachel Idakwo	<u>\$40</u>
	2. Rosemary Eze	40			40
	3. Josiah Lincoln	40			
	4. Yusufu Nekwie	40	<b>Form I</b>	1. Jeremy Abdul	40
	5. Ojo Wanta	40		2. David Petra	40
	6. Kelen Okore	40		3. Mohammed Yusuf	40
	7. Smithson Dakwo	<u>40</u>		4. Angela Petra	40
		280		5. Daffodil Labija	40
				6. Helen Onkwo	40
<b>Form III</b>	1. Peninah Alawo	40		7. Birta Warta	<u>40</u>
	2. Raphael Okon	40			280
	3. Naroltam George	40			
	4. Afor Moses	40			
	5. Jacob Kinane	40			
	6. James Audu	<u>40</u>			
		240		<b>Total</b>	<b>\$840</b>

## FEES FOR THIS TERM ALREADY PAID (see account for March 1987)

Form IV 17 pupils

Form II 21 pupils

Form III 11 pupils

Form I 16 pupils

TOTAL (65 pupils @ \$40): \$2600

## FEES STILL UNPAID

<b>Form IV</b>	1. Henry Sargent	\$40	<b>Form II</b>	1. John Nectan	<u>\$40</u>
	2. Ora Kwo	40		2. Peter Alakwo	40
	3. Alison Njekwe	40			80
	4. Philip Alikon	<u>40</u>			
		160	<b>Form I</b>	1. Meshack Ayot	40
<b>Form III</b>	1. Alfred Moi	40		2. Obed Kisarga	40
	2. Ezekial Romulo	40		3. Malawa Ife	40
	3. Heshbon Alfa	40		4. Joshua Kirak	40
	4. Selita Moses	<u>40</u>		5. Elijah Luka	40
		160			200
				<b>Total</b>	<b>\$600</b>

KIANGARA SECONDARY SCHOOL ACCOUNTS, APRIL 1987

**INCOME FROM RENT OF TEACHERS' HOUSES**

1. Mrs Nanko	\$40
2. Mr Solomon	40
3. Mr Kingsly	40
4. Miss Sule	<u>30</u>
	150

**ACCOUNT FOR PETTY CASH**

**Income**

1. Balance from March 1987	\$19.89
2. Withdrawn from Bank	<u>\$15.00</u>
	34.89

**Expenditure**

1. Stamps	\$4.95
2. Bus to and from Gabo to collect books	6.00
3. Hospital charge for Josiah Lincoln	.50
4. Miss Sule: removal costs	3.00
5. New school rubber stamp	<u>5.02</u>
	19.47

**BALANCE**

1. Income	34.89
2. Expenditure	<u>-19.47</u>
	\$15.42

TOTAL INCOME	3491.12
TOTAL EXPENDITURE	<u>3090.66</u>
BALANCE	400.46

Balance brought forward from March 1987	<u>2110.40</u>
<u>TOTAL ASSETS</u>	<u>2510.86</u>

Balance in Current Account	485.14
Balance in Deposit Account	2010.30
Petty Cash in hand	<u>15.42</u>
	2510.86

SIGNED:

J. M. MORUNGI  
Headmaster  
5<sup>th</sup> May 1987

showing the final balance should correspond with the entries in the school's bank accounts plus the amount in petty cash. It shows both individual items and, on the right hand side, the totals for each section. Details for certain items are provided in separate lists.

One of the separate lists shows the income from fees, and also shows the names of pupils who have *not* paid. Many schools like to keep a separate fees register.

Several additional points about finance and accounting are worth making:

1. *Procedures*: Schools should have clearly identified procedures for receipt and expenditure of money. It is advisable for ordinary teachers not to handle school money at all. Most responsibility usually rests with the headteacher, who works in conjunction with the treasurer of the Board of Governors. Usually the headteacher is empowered to deal with day-to-day running expenses and often implementation of projects, while the Board of Governors takes responsibility for broader policy issues and overall design of projects.
2. *Petty Cash*: If the headteacher is allowed to keep petty cash, it should be restricted to a small amount and the balance should be included in the monthly account. Strict accounting for petty cash expenses is necessary.
3. *Banking*: Apart from the petty cash, all money should pass through a bank account as quickly as possible. Some schools are remote and it is tiresome to travel to the bank frequently, but it is very desirable to have an official record of all transactions.

There are two types of bank account. The school can decide whether it wants to have both or only one.

- (a) A *savings account* is sometimes called a deposit or a passbook account. The benefits of this type of account are first that the school receives interest on its money, second that the book always indicates the current balance, and third that withdrawals can only be made at the bank and so it is hard to be overdrawn. It is particularly useful for block grants, donations, and special funds which are not used on a day-by-day basis.
- (b) A *current account* provides a cheque book. This means that it is not necessary for someone to go to the bank and

withdraw cash each time he/she wants to make a payment. Cheques can be written anywhere at all, by day or by night. However, money in a current account does not usually earn interest. Indeed the bank normally deducts money to pay its services, and in many countries the government charges a small tax on each cheque. It is also harder to know the balance in a current account, for sometimes people take a long time to cash cheques. If careful records are not kept, it is easy to get overdrawn and then to have to pay high interest rates and bank charges.

4. *Withdrawals:* The school should arrange for its bank withdrawals to require at least two signatures. Normally these are the headteacher plus another member of the Board of Governors (usually the Treasurer, if there is one). Many schools find it convenient for two Board members to be registered signatories in case one member is absent when the headteacher needs him. The signatures registered with the bank should be changed immediately the headteacher or any other signatory changes.
5. *Regular recording:* Transactions should be recorded daily, and the monthly accounts should be drawn up immediately each month has ended. If there is a delay, it is harder to remember accurate amounts, and what would otherwise be an easy routine task becomes a major exercise.
6. *Receipts:* These should always be given for money received, e.g. from school fees. The best way to do this is with a receipt book which has pages for carbon copies.

Receipts should also be required for all money paid out. When small jobs are done by village carpenters or other people who are normally paid in cash, the workers should be required to sign for the money they have received.
7. *Presentation of Accounts:* Members of school Boards of Governors should insist on the accounts being presented at every regular meeting. They should check them particularly carefully when a headteacher is about to leave the school. This is to ensure that all records are in order, that the headteacher does not take any school money, and that the replacement headteacher is not subjected to any unfair allegations of irregularities.

***Accounting for Donations in Kind***

Gifts of labour and materials cannot be treated in the same way as money. However, schools should also keep good records of donations in kind so that they know who has given what, how much the items would have cost had the school needed to buy them, and how rapidly the gifts have been used. If the school has been given nails and paint, for example, the authorities should indicate how much has been used on what buildings and how much remains in the store room. And if the school has been promised or owed donations, the authorities should know what to expect and when.

If the school is entitled to any matching grants, the monetary value of non-financial donations should be assessed and included in calculations.



**Communities should keep records of the amounts of labour and materials contributed as well as the amounts of cash.**

### ***Auditing Accounts***

#### ***(a) Government Auditing***

Where possible, governments should arrange regular and systematic auditing (checking) of the accounts of all schools. Botswana does this for all its secondary schools, and Swaziland tries to do it for all schools. In Zambia, by contrast, government auditors are only called in during a crisis, by which time the damage has usually been done.

It must be recognised that many primary schools are very remote, and that it may not be realistic to expect governments to send auditors to all of them. However, the job does not require a university-trained accountant. What it mainly needs is a person who can add up and who has common sense. In other words, District Education Officers could do the job just as effectively as an officer from the headquarters Ministry of Finance. District Education Officers could also help with in-service training where necessary.

Ideally, accounts should be audited every year. If this is not possible, five years should be a maximum time.

#### ***(b) Community Auditing***

Communities may organise their own accounting systems, either in addition to or instead of government ones. Church school accounts, for example, may be audited by the Church Education Secretaries. Village development association school accounts can either be audited by a responsible person in the village, or the schools can make arrangement with neighbouring schools on a similar basis to that used when schools invigilate each others' examinations.

These do not need to be complex operations, and certainly they do not need a fully-qualified and expensive commercial auditor. The mere fact that headteachers and Board members know that an outsider is going to look at the accounts helps to prevent embezzlement and keep finances in order. Discussions with the outside person can also help school authorities to plan for the future.