

Unit 5: Financial Management

AIM

The aim of this unit is to equip the inspectors with skills to enable them to guide schools in financial management.

LEARNING OUTCOMES

By the end of this unit inspectors will be able to:

- define a budget
- explain the nature and purpose of budgeting in a school
- outline the role of the headteacher in financial management
- identify strategies for fund-raising
- explain how funds are accounted for.

CONTENT SUMMARY

- 5.1 Definition of a Budget
- 5.2 The Nature and Purpose of Budgeting in a School
- 5.3 The Role of Headteachers in Financial Management
- 5.4 Strategies for Fund-raising
- 5.5 Accounting for the Money/funds

INSPECTORS' KEY SKILLS

- Budgeting
- Recording financial transactions
- Writing financial statements
- Raising funds
- Financial accounting

5.1 DEFINITION OF A BUDGET

Activity 5a

In small groups, discuss and define the term budget and present your definitions to the whole group.

Key Information

A budget is defined as a financial management planning tool which summarises the estimated income and expenditure for a specific period of time.

5.2 THE NATURE AND PURPOSE OF BUDGETING IN A SCHOOL

Activity 5b

Using the definition of a budget agreed upon in Activity 5a, what would you say are the key elements of a school budget? Discuss this in small groups

Key Information

The key elements of a school budget may include planning, expected income and expenditure and a definite time-frame.

Activity 5c

In groups, draft a school budget for an imaginary school.

Key Information

The attached form shows what a school budget may look like:

BUDGET			
School: Year:			
CATEGORIES	PLANNED INCOME	PLANNED EXPENDITURE	NOTE
BALANCE FROM LAST YEAR			
a. Tuition and Private Teachers			
b. Book Fees and SSU			
c. Feeding and SCF			
d. Sports and Trips			
e. Garden Sales and Expenditure			
f. Maintenance and Repairs			
g. Building and Development			
h. Miscellaneous Expenditure	xxxxxxxx		
i. Concerts/Raffles/Donations		xxxxxxxxxxxx	
SURPLUS (RESERVE)			
SUB-TOTALS			

Source: Ministry of Education Lesotho (1992)

Activity 5d

Why do you think it is necessary for a school to have a budget? Discuss this in pairs and report back to the whole group.

Key Information

The following are some of the reasons why a school should have a budget:

- to assist a headteacher in allocating funds to various school programmes in accordance with the School Development Plan
- to ensure budget control and avoid over-expenditure
- to ensure accountability.

5.3 THE ROLE OF THE HEADTEACHER IN FINANCIAL MANAGEMENT**Activity 5e**

Discuss the following question in small groups and report back to the whole group: 'As inspectors, what do you think is the role of the headteacher in financial management?'

Key Information

The headteacher is ultimately accountable for the effective management of school finances. It is therefore important that the role of the headteacher in managing school finances is fully understood.

The headteacher's role includes:

- drawing up a school budget in consultation with teachers and other stakeholders
- allocating the funds
- ensuring effective maintenance of financial records
- mobilising resources.

5.4 STRATEGIES FOR FUNDRAISING**Activity 5f**

Discuss in groups, how schools can raise funds and present your information to the whole group.

Key Information

Usually schools do not have enough funds to finance their needs. They therefore have to raise funds to meet their requirements. As an inspector, you may be called upon to advise schools on how to raise funds. The following are some of the possible sources of funds:

- parents/PTA
- supporting agencies e.g. non-governmental organisations
- community
- sponsors
- government
- income-generating activities e.g. cultural shows

5.5 ACCOUNTING FOR THE MONEY/FUNDS

Activity 5g

What are the financial records that a headteacher must keep to facilitate the effective management of school finances? Discuss the question in groups and report back to the whole group.

Key Information

Some of the financial management records are the following:

Cash Analysis Book

The cash analysis book reflects the nature of all transactions relating to income and expenditure on a daily basis.

Receipt Book

A receipt book is a book of accounts providing evidence of cash received or spent.

Bank Statement

A bank statement is a record produced by the bank indicating deposits and withdrawals including bank charges and interest earned. Each account would have its own bank statement.

Cheque Book

Wherever possible, schools are encouraged to use a cheque book as against liquid cash.

Order Request and Payment Voucher

A payment voucher is used to record details of every school expenditure and includes a purchase order or requisition which is used to identify and authorise purchases for the school. If not kept in a book, requisition documents should be properly filed. Only one order book should be opened at a time. Items purchased must only be for school and never for personal use.

Petty Cash (Imprest) Book

This is a book showing an amount of money kept for the small daily purchases which may not need authorisation. However, such funds should be accounted for and there should be rules regulating their use.

Pupils' Accounts Ledger

Schools must maintain a ledger book, card or any other suitable system, on which every child in the school is noted, together with the details of that child's account.

Budget Control/Financial Statement

The headteacher should ensure that at an agreed period, a statement of actual income and expenditure (financial statement) is drawn up and compared to the budget estimate and discussed with stakeholders in the interest of accountability.

Financial Probity

In the interest of financial probity, there should always be a balance between income and expenditure. Where there is a disparity, the causes may lie in poor recording, fraud or theft.

Trainer's Note

For more information on this topic, please refer to Unit 5 of Module 2.

PERSONAL ACTION PLAN

Make a note in your Personal Action Plan of anything you need to do as a result of studying this Unit.

REFERENCES

- Commonwealth Secretariat (1993) *Better Schools, Resource Materials for School Heads Module 5, Financial Management*, Commonwealth Secretariat, London
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- Ministry of Education (PEIP) 1992 *Handbook for Headteachers of Small Primary Schools*, Maseru, Lesotho.
- Wray, B.F. (1997) *Secondary Education Support Project*, Ministry of Education, DFID, Lesotho.