Integrating Sound Financial Management in Schools: A Case of IPSAS Implementation

Reforms in financial management systems and processes in public primary and secondary school are becoming critical in response to increasing demands for greater transparency and accountability in the management of how they utilize public finances.

Poor budgeting has made it difficult for head teachers to effectively run schools as some were overspending on some vote heads and under-spending on some leading them into other problems such as misappropriation and mismanagement of school funds. We spoke to the team at the Ministry of Education, Directorate of Schools Audit, to learn more on the reforms initiatives being implemented to improve accountability in financial management and strengthen good governance.

Please highlight the Reforms milestones achieved by the department during the implementation period of the PFM reforms strategy 2018-2023.

1. Implementation of IPSAS based financial reporting in public secondary schools.
2. Training of 250 school auditors as TOTs for IPSAS implementation.
3. Development of training content for bursars and finance officers for IPSAS implementation.
4. Capacity building of schools' 65 audit staff in audit report writing.
5. Capacity building of bursars on preparation of IPSAS based financial statements.
6. Development of IPSAS reporting template and guidelines in liaison with PSAB

What informed the development of International Public Sector Accounting Standards (IPSAS) guidelines

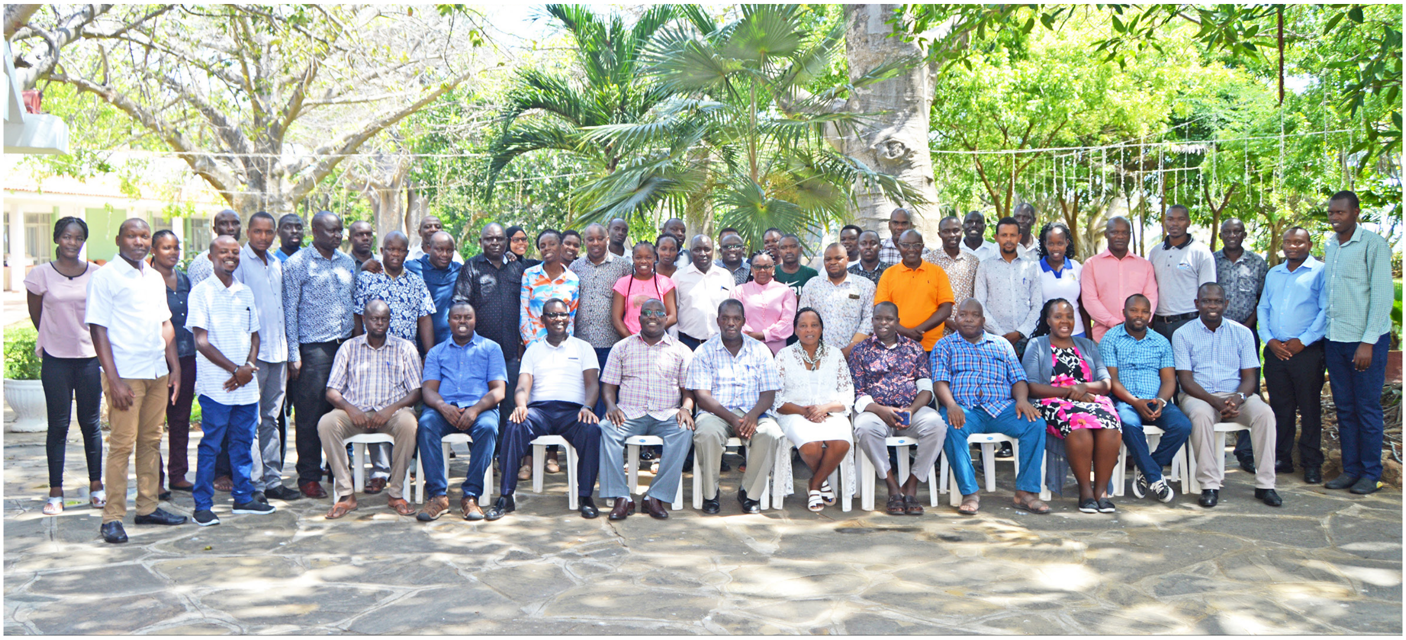
1. The need for bursars and finance officers to understand the IPSAS template and implement it.
2. The need to simplify the accounting language and procedures for ease of use by both financial and non-financial users.
3. To sensitize and provide information on transitional requirements
4. Need to sensitize schools auditors with regard to their role and provide clarity on accounting basis, policies, principles and concepts used under ipsas based financial reporting template.

Could you highlight the Impact witnessed since the inception of the guidelines?

1. The guidelines have enhanced uniformity in financial reporting in schools
2. The guidelines have enhanced transition from incomplete records to comprehensive financial reporting including disclosure of financial and nonfinancial information.
3. Enhanced compliance with PFM Act and Basic Education Act.
4. Enhanced comparability of schools' financial statements.

Tell us more on the Joint training of TOTs by Ministry Of Education and PSASB.

This was carried out in Naivasha in several cohorts. The training content was developed jointly with PSAB. Topics covered included PFM legal framework, introduction to IPSAS, receipts and payments statement, Statement of financial assets and liabilities, cashflow statement and budget execution statement, school performance, financial and non-financial information, disclosures, accounting disclosures and explanatory notes to the accounts.



IPSAS Training workshop at Mombasa Beach Hotel

What are some of Challenges did you experience during the joint training exercise with the Ministry of Education›

1. Limited resources constraining training period
2. Resistance to change to new financial reporting format.
3. Inadequate tools such as lap tops, ICT skills to use excel
4. Follow up and measurement challenges of knowledge acquisition

Any lessons learnt through the challenges experienced ?

1. Top management support is paramount for any institutional change
2. Proper targeting of reforms areas significantly adds value to organization processes.
3. Good planning is of essence in programs implementation
4. Team work and multiagency approach creates synergies in service delivery of national scope.
5. Financial support is an essential ingredient in institutional reforms
6. Program implementation can be affected by emergent issues e.g COVID, changes in government policy

Could you describe the Status of financial reporting in secondary schools before IPSAS

1. Before IPSAS schools were not using any approved financial reporting standards hence non-compliance with PFM Act 2012.
2. Limited Financial information to users, schools did not provide information on budget execution and on cashflows pertaining to all school activities.
3. Financial statements prepared were incomplete. Important disclosures of permanent assets owned by schools such as Land, buildings, biological assets etc and non-financial information were excluded.
4. Financial statements prepared by schools were not backed by management responsibility statements hence not owned by boards of management as it is the case with the best international practice.
5. Financial statements were prepared for the period January to December, not aligned to the government financial year that commences from 1st July to 30th june.

Are there Plans to have primary schools adopt IPSAS

Plans are underway to have primary schools adopt simplified IPSAS to enhance transparency and accountability on utilisation of resources. However, the Directorate is challenged in terms of resources such as funds, regulations for school based auditing and training manuals for both primary schools and for the junior secondary schools already hosted in the primary schools.