



POLAC INTERNATIONAL JOURNAL OF ECONOMIC AND MANAGEMENT SCIENCE (PIJEMS)
DEPARTMENT OF ECONOMICS AND MANAGEMENT SCIENCE
NIGERIA POLICE ACADEMY, WUDIL-KANO



IMPACT OF AUDITING IN ORGANIZATIONAL BUREAUCRACY FOR PRINCIPALS EFFECTIVE FINANCIAL MANAGEMNT IN SECONDARY SCHOOLS IN IMO STATE, NIGERIA

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Abstract

This study surveyed the Impact of auditing in Organizational Bureaucracy for Principals' effective financial management of finance and school plants/facilities in secondary schools in Imo- State, Nigeria. The study aimed at ascertaining the impact of auditing in a bureaucratic setting like the school on two basic functional areas of principal's managerial effectiveness which includes; Management of school plants/facilities and Management of School Finance and how it impacts their financial managerial functions. To guide this study, two research questions were asked and two hypotheses were tested. The study population was 274 Principals in the six Education Zones controlled by SEMB in Imo State. A stratified proportional random sampling procedure was adopted for the selection of the 55 sampled size of this study. The study under investigation utilized Principals Effective Financial Management Questionnaire (PEFMQ.) in eliciting data. The data collected were analyzed using the descriptive statistics of Mean and Standard Deviation. t-test was used to test the significance relationship. The findings revealed that there are negative impacts of Bureaucracy in school management in the two area task in secondary schools in Imo state which influences the principals' managerial functions in the area of management of school finance and management of school plants/facilities. Based on the findings, it is recommended that there is need to review the Weber's Bureaucratic Model in school management "rationality" based on the discoveries of scholars who highlighted the needs to make amendments for the smooth running of secondary education in Nigeria and Imo state in particular.

Keywords: Principals, Organizational Bureaucracy, Auditing, Principals Financial Management and School Plants/Facilities.

1. Introduction

Historically, the concept of audit has served as a simple administrative procedure comprised mainly of checking documents, counting assets, and reporting to board of directors, management or external auditors. In recent times, however, a combination of different forces has led to a quiet revolution of the profession. The concept of audit refers to an independent, objective assurance and consulting activity designed to add and improve an organization's operations (Dawuda, 2014). It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control, and governance processes (Musa, 2015). Both public and

private organizations have to demonstrate accountability in the use of shareholders or citizen's money and efficiency in the delivery of services. Organizations, especially public ones, now demand great competency and professionalism from audit, and scarce resources must be deployed more efficiently to minimize and manage risks. The transition from merely ensuring compliance with rules and regulations to truly delivering added value requires more than just organizational changes. In many public institutions staff are poorly paid and unmotivated, ethical standards are weak, and governance practices are ineffective leading to asset mismanagement (Obert & Munyunguma, 2014). The need for accountability and good governance in various

countries today is solving issues relating to globalization, transparency, integrity and improvement in government delivery services. This has however led to the increase of auditing function in the various public sector institutions. Currently auditing is becoming one of the essential aspects of good governance and management both in the private and the public sectors. However, in the local government sector, due to their response to diverse stakeholder there is the need to ensure the credibility of the auditing functions. Also, there is the need to have an effective audit function in all public sector institutions in modern governance. Every democratic country needs to be accountable in the effective use of public monies and the need to provide effective, efficient and economical service delivery. This objective can be achieved by applying auditing function in order to ensure value for money in all projects within the local government sector. In addition, this major mechanism can be used to control and use of scarce resources in the corporate organizations. However, in a more complex and large systems require greater competitiveness, and therefore the need for professional auditing function. Therefore, it is not surprising that Nigeria and other developing countries are focusing on improving its financial management at the local government level through effective auditing function. (Kwanbo as cited in Kotoka, 2015).

Major Concepts

Bureaucracy

A bureaucracy is a large formal secondary organization characterized by a hierarchy of authority, a clear division of labor, explicit rules, and impersonal interactions between members. The bureaucratization of schools makes it difficult to instigate appropriate and immediate change when it is required by the changing needs of a society. Meghan (2012), opined that bureaucracy has clear Organization charts, which indicates the hierarchical nature of bureaucracies' mechanism compares with other organizations exactly as does the machine with non-mechanical modes of production." Modern bureaucracies exhibit specific structural and procedural features that contribute to effective and efficient goal attainment. Which applies to the current study by using auditing as a means to checkmate the

financial management of the school as an organization by the principals.

Management:

Management according to Mohammed (2002) is seen as the process of utilizing material and human resources to accomplish stated objectives. Osuala (2002) defined management as the process of achieving organizational goals through the co-ordinate performance of five functions namely; planning, organizing, staffing, directing and controlling. Osuala further explained that organization is a group of people and the goal can be anything the organization seeks to do.

Financial Management:

Authorities in financial management have variously conceptualized financial management. Ede (2014) conceptualized financial management to involve appropriate acquisition and allocation of resources for optimum performance in an organization. Campbell (2011) defined financial management as "operational area of administration which has to do with the securing of revenue, expending and giving an account of the money that has been spent". Ezra (2009) pointed out that the function of financial management is to review or control decision to commit funds to new or on-going uses. He stressed that in addition to raising funds, financial management deals with production, marketing and other functions within an enterprise whenever decisions are made about the acquisition of or destruction of assets.

Aspects of Financial Management Practices in Schools:

Managing funds is one of the major tasks of a school head because the success of any school programme depends on the way the financial inputs are managed which however affects the overall performance of the school. School head, bursar and finance officers should therefore as a matter of importance have adequate knowledge of finance in order to be effective financial managers. Financial management according to Mgbodile in Ede (2014) is one of the areas where many practicing heads have had neither pre-service, nor in-service training prior to their appointment and this contribute to the failure of many schools. Without good financial management practices, the programmes of educational

institutions will not be properly implemented. He further outlined some of these practices to include, auditing practices, financial record keeping practices, allocations to incur expenditure and budgeting practices.

In his own view, Ogene (2008) opined that sound financial management practices involve the maintenance of a reliable system of internal control to ensure proper utilization of funds. The basic accounting procedures involves the preparation of financial statements such as income and expenditure statement, balance sheets, reconciliation statement and receipts used to pay are in harmony and judiciously implemented is called auditing. It also involves the analysis and preparation of financial statements to source out facts and draw corresponding conclusions. The duty of the principal as the school head and financial controller is to initiate plans for the Board of Governors or Parents Teachers Association to adopt. As somebody in the center of the school financial par, school head needs to help those he works with to formulate proper plans. The school principal has two audiences he is accountable to. The first audience is the government represented by the ministry of education or the Post Primary School Management Board (PPSMB) as the case may be. The Post Primary School Management Board is mainly interested in accounting for school fees. The second audience which is the Parents Teachers Association is interested in accounting for Parents' Teachers' Association development levies. The last stage in accounting for school fees is auditing of school account books. It has been noted by experts in financial management that there can be no complete financial management practice without auditing.

Auditing:

Auditing is the act of conducting an audit. According to Public Sector Auditing Standards, a term "Audit" include both financial and performance audit. The standard goes on to explain financial audit as embracing. "The audit of financial statement in order to provide reasonable assurance on whether the financial statement of an organization presents a fair financial position of the organization flows and is in conformity with the generally accepted accounting principles, and applicable laws and regulations and the evaluation of the soundness of internal control system of the audited organization".

Audit management is those actions taken by audit firms to ensure that audits are carried out economically and efficiently, thereby, reducing the risk of litigation for negligence as suggested by Eze (2008), reliable accounting and finance assist the society in allocating resources in an efficient manner. The primary goal of any economic system is to allocate limited capital resources to the production of goods and services for which demand is great. Auditing may be defined as a systematic investigation and appraisal of transactions procedures, operations and result in financial statements (Anichebe, 2010). They further stated that the main purpose of auditing is to determine the degree of adherence to the prescribed criteria and to express opinion thereon. Generally, auditing as a profession can be defined as "an independent examination of and expression of opinion on the financial statement of an enterprise, by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation. On the other hand, performance audit is defined as an objective and systematic examination of evidence for the purpose of providing independent assessments for the public sector organizations, programme, projects and service delivery. Also, it outlines the assessment of the financial efficiency and effectiveness with which the resources of an entity had been used in achieving results. However, for auditing to be a tool for effective and efficient management it has to identify the functions, evaluate and monitor some specific controls within the bound of internal control system.

1.2 Statement of the Problem

The main features of bureaucracy concerned in this study are centralization and formalization. These determine the extent to which the principal as the school administrator participates in decision making. In a bureaucratic school structure, the authority is generally concentrated at the top management, and information usually flows from top to down, encouraging a school culture focused on control and command, where operational processes are rigidly controlled and closely supervised. centralization in the organizations has its implications on the extent to which members are assigned tasks and then provided freedom, power and authority to implement the tasks without interruption from superiors lined up in hierarchical pattern as demanded by the centralized structure.

Anyanwu (2004) stressed that principals in Imo-State complain of little powers in addressing issues in their various schools without written permission of the Secondary Education Board. It is therefore, the concern of the current study to ascertain empirically the extent to which such organizational bureaucracy as existing in Imo State ascertain the impact of auditing for effective financial management of schools by the principals.

As a result of over-centralization at the headquarters, the principals perceive their authority as meager especially where they have to seek for permission to exercise or use authority. They have to clear first with the headquarters and this is time wasting and most of the school needs are never met and this has its own negative effects on good administration. The tendency is that the principals will not give out their best under such work situation. Job satisfaction and morale could be low in view of obvious handicaps and bureaucratic inefficiency of officials at the headquarters

Inadequate co-ordination, communication gap, over centralization of decision making, non-application of reforms reports is amongst the characteristics of the bureaucracy in the secondary schools, which have hindered the efficiency and effectiveness of secondary education system in Imo state.

This study therefore, seeks to ascertain the impact of auditing for effective financial management of secondary schools by the principals in Imo State?

1.3 Objectives of the Study

This study ascertains the impact of auditing for effective financial management of secondary schools by principals in Imo State in the following areas.

- i. To determine the impact of auditing in organizational bureaucracy and principals' management of school finances.
- ii. To determine the impact of auditing in organizational bureaucracy and principals' management of school plants/facilities.

Hypotheses

The following null hypotheses were formulated and tested in the study at 0.05 Significance level;

Ho₁, The views of experienced and inexperienced Principals will not differ significantly on the Impact of auditing in organizational bureaucracy for effective financial management of secondary schools by principals.

Ho₂, There is no significant difference in the views of male and female Principals on the impact of auditing for effective financial management of secondary schools in Imo state.

3. Methodology

The study adopted a descriptive survey design. The sample size of this study comprised 55 principals selected from the Six Educational Zones of the State which 53 responded to the questionnaire two questionnaires were not recovered leaving the total of 53 respondents. The six zones constituted clusters from which 20% of schools and of principals were sampled. Proportionate simple random sampling procedure was employed in sampling 20% of principals from each zone. The population of the study is made up of 274 principals of government owned secondary schools in Imo state. The study was conducted in the six educational zones (Owerri Zone 1, Owerri Zone 11, Okigwe Zone 1, Okigwe Zone 11, Orlu Zone 1, and Orlu Zone 11) in Imo-State. A questionnaire titled Principals Effective Financial Management Questionnaire (PEFMQ) was developed and used for data collection. The questionnaire had two sections which are section "A" and "B" respectively. Section A of the questionnaire was about the personal information of the respondents while section B of the questionnaire elicited data for the research question 1 consisted of 12 items while research question 2 had 4 items. The 4- point Rating scale responses were used to elicit information from the respondents. The responses format are: Strongly Agree (SA) ; Agree (A); Disagree (D); Strongly Disagree (SD) were weighted 4,3,2,1 respectively. The instrument was validated by three experts one, in the field of Test and Measurement and two in the field of Educational Management and Planning all in Imo State university Owerri. Their corrections were effected in the final

version of the instrument. The test retest method was adopted for the reliability test. The questionnaire was administered to the respondents who were not part of the population within one week interval. The data collected were treated with Pearson correlation coefficient product moment. The result yielded reliability of 0.88 which shows that the questionnaire was reliable. The prepared questionnaire was distributed through direct contact on the respondents with the help of two research assistants. The data collected were analyzed using mean, standard deviation. Mean and standard deviation were used to answer all the research questions. Since the items were based on a 4-point scale, with an average of 2.50,

interpreting the result items with mean rating up to 2.50 and above regarded accepted while items below 2.50 were regarded rejected.

4. Presentation and Discussion of Results

The data collected through the administration of the copies of the questionnaire to respondents were analyzed using mean and standard deviation. The obtained mean and standard deviation were used to answer research questions 1 and 2 as presented in Tables 1 and 2

1. What influence does organizational bureaucracy have on principals' management of finances?

Table 1: What impact does auditing in organizational bureaucracy have on principals' management of school finances? **n = 53**

	Management Of School Finance	4	3	2	2	$\bar{X}$	SD
1	School principals must seek approval from the center before incurring any expense even when it is urgent.	25	24	1	3	3.34	11.28
2.	Any programme or project to be executed in the school must be approved from the headquarters.	7	28	11	7	2.66	8.67
3	Principals cannot use school finances for any other programme or project they deem necessary in the school without approval from the headquarters.	12	11	21	9	2.49	4.6
4	The school principals do not enjoy discretionary powers to incur expenses without approval from headquarters even when it is urgent	3	6	24	20	1.85	8.93
	Sectional Mean (Aggregate Mean/12) = 10.34/4 = 2.58						

(Source: Isinka N. A, (2016) University of Abuja) Unpublished M.Ed thesis. (self-field work)

Generally, the analysis from table 1 shows that there was a higher impact of auditing in organizational bureaucracy on principals' management of school finances as indicated in statements 1-3 of the item while statement 4

disagrees with the statement in the item which reveals that school principals must seek approval from the center before incurring any expense even when it is urgent.

Table 2: How does auditing in organizational bureaucracy impact principals' management of school plants/facilities? **n = 53**

	Management Of School Plants/Facilities	4	3	2	1	$\bar{X}$	SD
41	Principals have no say in deciding the physical layout of their schools.	4	12	33	4	2.25	0.73

42	Principals cannot construct or award contract for the construction of their school buildings.	18	19	7	11	2.79	1.13
43	Principals cannot effect renovations and repairs on their school buildings without seeking approval from the center.	7	23	12	11	2.42	1.01
44	Principals cannot procure necessary educational materials in their schools without seeking approval from the center.	5	1	26	21	1.77	0.89
45	Principals cannot procure needed chairs and desks in their schools Without authority from the center.	0	17	2	34	1.70	0.94
46	Principals cannot procure urgently needed office stationeries without approval from the above.	5	6	11	31	1.69	1.01
Sectional Mean						2.10	0.95

(Source: Isinka N. A.,(2016)University of Abuja) Unpublished M.Ed thesis. (self-field work)

Table 2 above shows that there was no negative impact of auditing in organizational bureaucracy on Principals' management of school plants/ facilities as only one item accepted and others rejected with the sectional mean score of 2.10 and standard deviation of 0.95. Details of the analysis reveals that principals can construct or award contract for the construction of their school buildings with a mean score of 2.79 thereby agreeing with the statement that they cannot and a standard deviation of 1.13. Meanwhile, statements that principals' have say in deciding the physical layout of their schools; principals can effect renovations and repairs on their school buildings without seeking approval from the center; principal can procure necessary educational materials in

their schools without seeking approval from the center, and principals can procure needed chairs and desks in their schools without authority from the center were rejected with mean scores of 2.25, 2.42, 1.77 and 1.70 with standard deviations of 0.73, 1.01, 0.89 and 0.94 respectively. Furthermore, the statement that principals can procure urgently needed office stationeries without approval from the above was rejected with a mean score of 1.69 and standard deviation of 1.01.

Hypothesis one (H_{01})

The views of experienced and inexperienced Principals will not differ significantly on the impact of auditing in organizational bureaucracy on principals' effectiveness of financial management.

Table 3: – Comparison of Principals' Rating Based on Experience at 0.05 Significance Level							
	Experienced status of the principals	N	Mean	Std. Deviation	t-critical	t-cal	Decision
Impact of auditing in organizational bureaucracy on principals' effectiveness of financial management	Experienced	36	2.66	0.23	1.96	0.95	Not Significant
	Inexperienced	17	2.81	0.11			

Note: Equal variances assumed, ** @ 5% level of Significance.

(Source: Isinka N. A.,(2016)University of Abuja) Unpublished M.Ed thesis. (self-field work)

From the result of Independent Samples T-test in table 12, observation show mean scores 2.66 and 2.81 for experienced and inexperienced principals respectively. The calculated t-value (0.95) with 51 degree of freedom is not significant at 5% level of significance as the calculated t-value is slightly less than the critical t-value (1.96). This shows that there is no significant difference in the views of experienced and inexperienced Principals regarding the impact of auditing in organizational

bureaucracy on principals' effectiveness of financial management. Therefore, the research accepted the null hypothesis (H_{01}).

Hypothesis Two(H_{02})

There is no significant difference in the views of male and female Principals on the impact of auditing in organizational bureaucracy on principals' effectiveness of financial management.

	Principal's Gender	N	Mean	Std. Deviation	t-critical	t-cal	Decision
Impact of auditing in organizational bureaucracy on principals' effectiveness of financial management	Male	19	2.65	0.18	1.96	0.45	Not Significant
	Female	34	2.75	0.23			

Note: Equal variances assumed, ** @ 5% level of Significance.

(Source: Isinka N. A, (2016) University of Abuja) Unpublished M.Ed thesis (self-field work)

From the result of Independent Samples T-test in table 4 which is based on gender, observation shows mean scores 2.65 and 2.75 for male and female principals respectively. The calculated t-value (0.45) with 51 degree of freedom is not significant at 5% level of significance as the calculated t-value is less than the critical t-value (1.96). This shows that there is no significant difference in the views of male and female Principals regarding the impact of auditing in organizational bureaucracy on principals' effectiveness of financial management. Therefore, the research accepted the null hypothesis (H_{02})

4.1 Discussion on Findings

i. The first research question was answered by using four items under Principals' management of school finances section. The data analysis indicates that there was high impact of Principals' management of school finances with the sectional mean score of 2.56 and standard deviation of 0.84.

ii. While the second research question was answered using six items under Principals' management of school plants/facilities section. The data analysis indicates that one item accepted and others rejected with sectional mean score of 2.10 & standard deviation of 0.95.

The first hypothesis result shows that there is no significant difference in the views of experienced and inexperienced Principals regarding the impact of auditing in organizational bureaucracy on principals' effectiveness of financial management and the second hypothesis equally shows that there is no significant difference in the views of male and female Principals regarding the impact of auditing in organizational bureaucracy on principals' effectiveness of financial management.

On the views of the principals in this study, it shows that there is negative impact of auditing on principals' financial effectiveness in the areas of school

plants/facilities and as well principals' management of school finance. But Anyanwu (2004) in her findings, stressed that principals in Imo state complain of little powers in addressing the challenges the face in discharging their managerial functions effectively which is in line with Campbell (2011) defined financial management as "operational area of management which has to do with the securing of revenue, expending and giving an account of the money that has been spent". Ezra (2009) pointed out that the function of financial management is to review or control decision to commit funds to new or on-going uses.

Importance of auditing in school management

Deducing from the above, here are some of the observable importance of auditing in school/ education.

- i. Auditing ensures the continued maintenance of soundly based system of controls in the school system.
- i. It encourages and also evaluates the use of available resources in the pursuit of defined objectives in the school.
- ii. It assesses adherence to budgetary provisions and reviews compliance with statutory and regulatory procedures of stipulated educational bodies like SEMB, NUC etc.
- iii. It provides the avenue for continuous examination of accounting books, store and personnel records with a view to detecting frauds, errors and mistakes for corrective actions.
- iv. Auditing ensures that every financial transaction in school management is dully approved and appropriately authorized before execution
- v. In school management, auditing serves as an avenue to the availability of vital financial records and it equally ensures the security of such relevant documents and records.

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- vi. Finally, is a powerful advisory vice on financial matters geared towards efficient decision making by the school management.

All these among others are meant to engender accountability of stewardship by extension of effective performance.

5. Conclusions and Recommendations

The responses obtained from the principals on the impact of auditing in organizational bureaucracy on Principals' effective management suggest that such impact has its negative and positive effect on financial management. For instance, after the frequency count and analysis of each statement on aspects of management is weighed by responses of the principals, these impacts were determined. The consequent effect would be an unnecessary delay associated with bureaucratic arrangements which Hall (1982) referred to as "RedTapism".

Base on the findings and conclusions of this study, the following recommendations were made:

- i. The principals should be allowed discretionary powers to take some crucial management decisions relating to effective handling of the schools without waiting for the usual approvals from the headquarters especially where urgency is required.
- ii. The application of bureaucratic formalization and centralization, which were the focus of this study, should be restricted to crucial areas of school management such as policy- making, delineation of educational aims and stipulation of attainable standards. Principal should be allowed to exercise routine powers in their efforts to manage the schools.

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