

Analysis of the Patterns of Mismanagement of Funds in the General Education Sector using the Theory of Accountability and Fraud Triangle: A Case Study of Zambia

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ABSTRACT

Financial mismanagement in the public sector in Zambia is commonplace as shown by the Auditor General's Reports for many years. The general education sector has the highest figures each year and has a wide range of forms of financial mismanagement. It is not yet known why financial mismanagement exists in the general education sector. The main objective of the study was to profile the patterns of mismanagement of funds in the General Education Sector using the theory of accountability and fraud triangle. A cross-section national study involving a questionnaire survey of 539 respondents from the ten provinces as part of the study. Data were analyzed using SPSS version 22.0. The materiality means score obtained from the ten provinces was all above the sample mean which was 43 implying the existence of materiality in terms of financial mismanagement. About 44% of respondents perceived financial mismanagement to be committed by accounting staff, 33.4% by a top management staff with accounting staff, and 22% by top management alone. The study found out that financial mismanagement was influenced by pressure, perceived opportunity, and the tendency to give an excuse for engaging in unethical behavior. The study also reviewed that there is a lack of legislation and technical knowledge, insufficient monitoring and control of funds, lack of availability of fiscal policies in the education sector, lack of action to combat criminals, and lack of honesty, openness, and credibility. The article proposes corrective measures that can make the financial management of public institutions conform to the principles of good governance. In conclusion, the Ministry of General Education would require embracing in its policies and practices financial mismanagement risk governance, financial mismanagement risk assessment, financial mismanagement prevention, financial mismanagement detection, and financial mismanagement investigation and corrective action in order to mitigate them.

Keywords: Education Sector. Financial Mismanagement, Theory of Accountability.

1.0.BACKGROUND

Managers of public enterprises have been accused of ineffectiveness and inefficiency in terms of resource control (Ndiang'ui, 2012). Some studies argue that poor application of internal audit principles and procedures leads to blatant diversion of scarce resources with its attendant consequences on the traditional accountability of government to the public. As a result, there is an acute need to ensure that the allocated resources are used for the intended purpose through internal auditing. Nsikan and Emmanuel (2015) stated that failure in the proper and prudent management of public funds can be attributed to unfriendly policy implementations, inability to access funds, inconsistency and complete lack of courage to implement policies and mismanagement of funds by successive government and institutional leaders.

Bua and Adongo (2014) stresses that prompt payment of staff allowances and other personal emolument related payments significantly influenced the management of public institutions. It is not arguable that an understanding on the factors that cause financial mismanagement will help address the loss of colossal amounts of money to embezzlement and misappropriation (Baheri et al, 2017). Without which will hinder the country's ability to implement public policy and foster development as the intended beneficiaries of public resources do not benefit from public resource.

A strong Public Financial Management system is an essential aspect of the institutional framework for an effective Government because Effective delivery of public services is closely associated with poverty reduction and economic growth. Countries with strong, transparent, accountable systems tend to deliver services more effectively, equitable and regulate markets more efficiently and fairly (Agbe, 2017). Improving the effectiveness of a Public Finance Management (PFM) system may generate widespread and

long-lasting benefits, and may in turn help to reinforce wider societal shifts towards inclusive institutions, and thus towards stronger states, reduced poverty, greater gender equality and balanced growth (Lawson, 2015).

Despite officers having been trained in financial management and guidelines, especially budgeting and spending guidelines, there is little and/or non-adherence to them (AG Report, 2017; 2018). The 2008, 2009 and 2010 Audit Reports lined a minimum of seventeen (17) kinds of public finance irregularities. The irregularities, expressed in financial terms, included: Misappropriation of Funds; Unaccounted for Revenue; Delayed Banking; Unaccounted for Funds; Misapplication of Funds; Unretired Imprests; Unvouched Expenditure; Unaccounted for Stores; Irregular Payments; Non-Recovery of earnings Advances and Loans; Failure to follow Tender Procedures; Undelivered Materials; Non-Submission of Expenditure returns; Unauthorized Expenditure. In 2010, these irregularities combined amounted to a complete value of ZMK1.3 Billion. This was regarded as 9.8% of the country’s total government income (i.e., revenue excluding grants and different (non-tax) revenues) in the year (See Table 1.1).

Table 1.1: Irregularities Raised in The Auditor General’s Report - 2014 – 2017

Summary of Findings	Public Sector- Amounts K
Unretired accountable imprest	46,877,919.00
Misapplication of funds	325,903,160.00
Unvouched expenditure	923,904,160.00
Unaccounted for stores	60,659,699.00
Irregular payments	165,092,056.00
Non-recovery of loans	7,821,382.00
Undelivered materials	370,292,516.00
Wasteful expenditure	59,661,523.00
Total	1,960,212,415.00

Source: Office of the Auditor General’s report – 2014 - 2017

Furthermore, a cross cutting analysis of the Auditor General’s reports in the past have revealed an upward trend of gross financial irregularities and embezzlement (Republic of Zambia Auditor General’s Report, 2017).

Ololube (2016) stated that, there is a lot of mismanagement of fund by District Educational Boards and Schools, the funds meant for Grants to primary education, projects funds and other education related grant are mismanaged as a result, education institutions have joined other public sector institutions in having a number of uncompleted or abandoned projects. This study seeks to extended the work by Ngosa and Mwanza (2021) by profiling the patterns of mismanagement of funds in the General Education Sector using the theory of accountability and fraud triangle. The remaining parts of this paper are organized as follows. We discuss the Literature review in Section 2, Methodology considered in Section 3. The results and discussion are contained in Section 4 and lastly, we conclude the study in Section 5.

2.0. LITERATURE REVIEW

According to the World Bank (2000), when the monitoring system does not monitor funds, abuse of public funds can also occur. This is similar to the findings of Bello (2001) and Onuorah and Appah (2012), who determined that the abuse of public funds in Africa is the result of poor supervision and unethical behavior by public officials. This can be largely attributed to the fact that public officials are driven by personal interests. As a result, a large amount of funds were not used as expected. Patton (1992) and Abu Bakar and Ismail (2011) recommend the establishment of incentives or penalties to limit public officials and their officials from misusing taxpayers' money. However, this may not work if there is no commitment at all levels to hold those involved in financial misconduct accountable. This is contrary to Hood’s (1991) emphasis on discipline and simplicity as a way to promote the rational use of financial resources. Elimu (2003) found that school operations are audited and supervised. This verifies that the resources are well controlled and priorities are being followed. Indeed, abuse may also occur in schools that lack frequent control and audits by relevant authorities. Some people believe that if there is a reliable accountability system that clearly stipulates established procedures and the responsibilities of stakeholders in financial decision-making, the abuse of public funds can be minimized.

Opportunities for fraud exist throughout the organizations, and it is most obvious in areas where internal controls are weak (Dewi & Ratnadi, 2017). The education sector is also inextricably linked to fraud. For a long time, the education department has been cited as one of the wetlands of corruption in this republic because it has the highest budget. The fraud triangle (Cressy 1953) shows that corruption can be caused by three conditions: pressure to engage in corrupt behavior, opportunity, and rationalization. Stress can manifest as the need to achieve performance goals, personal satisfaction, or fear of failure (Murphy and Free 2016). When the

organizational control system is weak or the organizational culture and management style support corruption, there may be opportunities for fraud (Laxman, S., R. Randles, 2014). Rationalization is related to a person's willingness to commit corruption and their ability to transfer responsibility to other parties (Nahartyo, 2018). Fraud According to Tuanakotta (Tuanakotta, Theodorus, 2012), is an illegal act committed by a person or group of people in a deliberate or planned way, which generates profits for a person or group and harms other people or groups. There are many reasons for fraud, i.e. weak internal control, lack of understanding of laws and regulations, leading to improper compliance with rules or regulations, or may lead to policies that are developed to keep up with the times, and ineffective monitoring. One of the ways that companies can prevent fraud is to reduce the possibility of fraud by paying attention to the organization's policies (Yanti & Purnamawati, 2020).

Joubert and Van Rooyen (2008) noted that many schools in South Africa face serious problems of mismanagement, incompetence, lack of leadership, and limited capacities. This is reflected in reports by Anti-Corruption Watch (2012, 2015), the Public Service Commission of the Republic of South Africa (2011), and Talane and Pillay (2013). It is still common in South Africa, mainly because of Boyne and others. (2003) and Van de Walle (2009) stated that there are warnings of weak accountability and abuse in schools. These funds are not used according to budgetary purposes, but are diverted for personal gain. Consistent with this, Abu Bakar and Ismail (2011) found that a large proportion of local authorities in developing countries do not comply with the principles and benchmarks for planning and submitting school financial reports.

Mismanagement can be understood as related to mismanagement, incompetence, Inefficiency, negligence and dishonesty (Collins Thesaurus, 2002). Talane and Pillay (2013) reiterated this point, stating that poor financial management involves many activities, including misappropriation of funds, inattention, and lack of financial reporting. This is why accountability and efficiency are often considered the basis of "good" public management (Terry, according to Silvia et al. (2011), accountability has several aspects in organizations; the first is related to avoiding Misuse position, the second is process responsibility, indicating how fast the service process responds, the third is procedural responsibility, which is related to the consideration of whether the set goals can be achieved, and the fourth is financial responsibility, that is, an organization or organization is economical and efficient And the responsibility for effectively spending funds. 1998). Globally, corruption at the school level is a major problem (Transparency International, 2013). According to a study by Nigerian Okon, Akpan and Ukpong (2011), due to improper use of financial control measures by principals, poor financial management in secondary schools persists. His research on Germany highlights some of the problems that lead to corruption in the education sector

3.0. METHODS

3.1. Research Design,

This is a cross sectional quantitative study. A cross sectional design of such nature has been chosen because very little is known in such an area and the researcher wants to show what is happening on the ground at the moment. In addition, the researcher described events, organized and tabulated the data to what the actual reality on the ground are like according to Podsakoff et al (2003).

3.2. Data collection

This study employed the use of survey questionnaire as a method of data collection. The researcher was helped to administer the survey questionnaire by district financial officers who were given the sampling frame and happened to know the staff postings. The survey method is particularly appropriate in these circumstances since it is designed with the intention of operationalizing definitions of concepts that reflects the strength of attitudes, perceptions, views and opinions.

3.3. Sampling

The sample is chosen to ensure that it contains characteristics that are representative of the population. In order to have a sufficient and representative sample, each sample unit in the population has the opportunity to be selected, which is only a cautious investigation. Since all departments and units have sample lists of civil servants, a systematic sampling is adopted. The Yamane (1967) sampling formula described below to determine the sample size for each unit, in this case the province was used:

$$n = \frac{N}{1 + N(e)^2}$$

The level of precision e or reasonable certainty, sometimes called sampling error, is the range in which the true value of the population is estimated to be. This range is often expressed in percentage points, (e.g., ± 5 percent).

3.4 Data Analysis

Statistical checks were conducted to ensure that the data met various requirements necessary to conduct further bivariate and multivariate analyses, checks for missing data, outliers and normality were conducted on the scale data. The data was checked for missing data, outliers and completeness. The standard deviation was used as the measure of dispersion. Mainly, measures of central tendency such as mean, mode and median were considered to be appropriate from descriptive analysis.

4.0. RESULTS AND DISCUSSION

4.1. Patterns of Financial Mismanagement

The patterns of financial mismanagement in the general education sector by way of categorizing financial mismanagement by looking for materiality was operationalized. Materiality was then patterned by looking at the interaction between financial materiality based on spread across four demographic variables (gender, age of finance actor, location of study by province and job type of finance actor).

The study then computed materiality of financial mismanagement distributions based on the four demographic variables (gender, age of finance actor, and location of study by province and job type of finance actor). The ordinal scale of measurement of four variables taking somewhat agree as the median, the sum total of responses on either side were used to determine the presence of financial mismanagement and later affirm the level of materiality of financial mismanagement. Seven types of mismanagement variables were assessed. The following three types of mismanagement variables have frequencies showing that the rate of agreement is on the lower side. However, as for the rest of the mismanagement variables, the frequencies did not show a majority picture on either the right or the left of the median (somewhat agree) as indicated in Figure1 the profile of finance mismanagement.

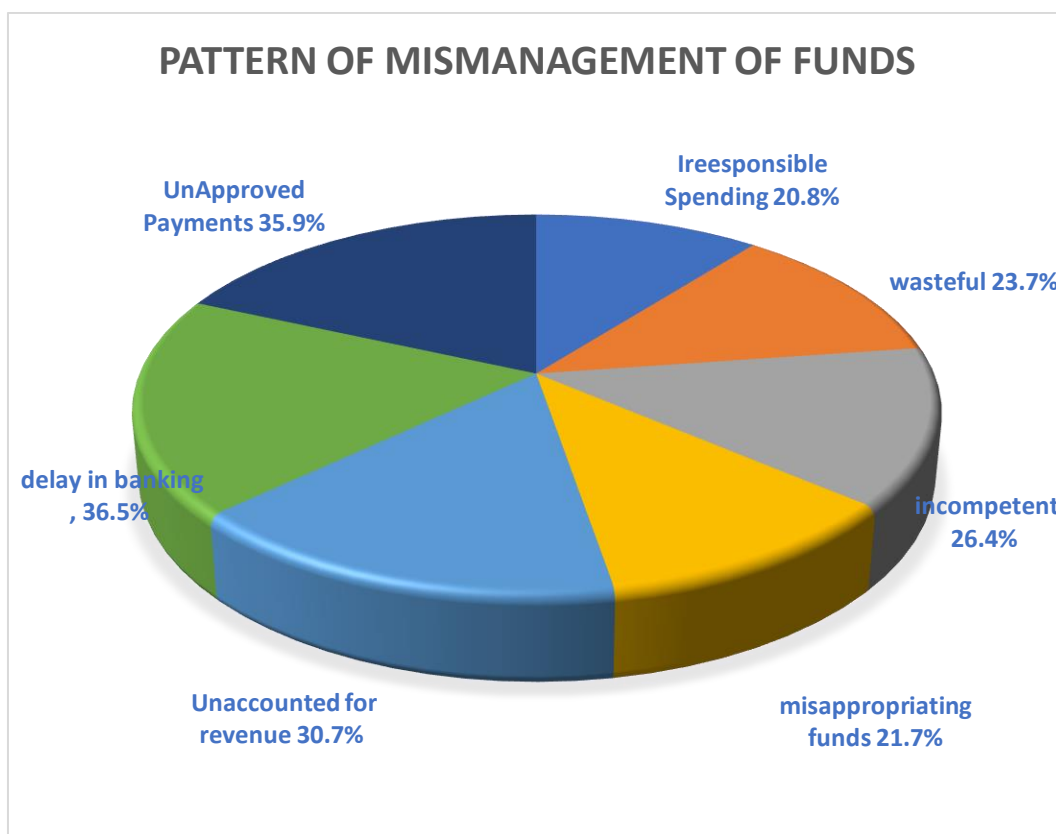


Figure 1: Profile of Finance Mismanagement

From the chart above the study pick seven form of mismanagement of public fund, from the 539 respondents from various provinces unapproved payments was at 35.9% meaning most of the payment are not sanctioned by controlling officers, this is the breach of principal-agency duty of care and no sense of accountability by those appointed to manage the public funds efficient and responsible manner. The study also reviewed that 23.7% of public expenditure are categorized as wasteful and 20.8% as irresponsible spending, unaccounted for revenue accounts for 30.7% while delayed banking shows 36.5% incompetent and misappropriation of funds accounts for 26.4% and 21.7%. On average over 21% of funds in general education are mismanaged by officers which has robbed many needy children and has resulted into staled projects.

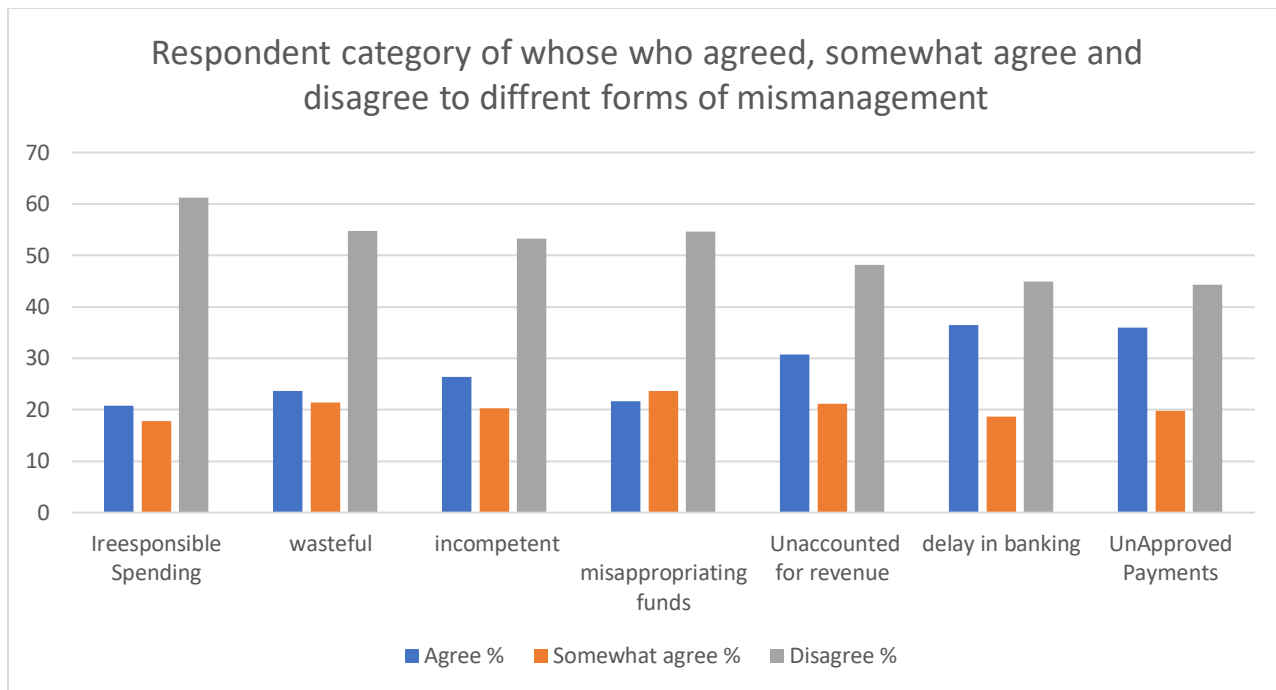


Figure 2 Analysis of forms of mismanagement by respondent

Another reason for the misuse of public funds is personal interests, weak financial procedures, and weak organizational structures. Survey results show that factors leading to weak school financial procedures are often related to poor school record keeping, auditing problems, and unclear priorities. Other problems are caused by the school's weak control and administration network of funds, weak flow of funds, insufficient resources to carry out tasks, lack of autonomy in schools, poor members of the finance committee, lack of training and the relationship between the director and the finance committee.

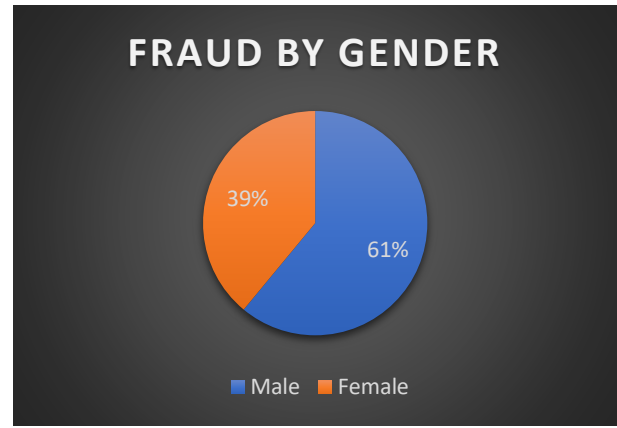
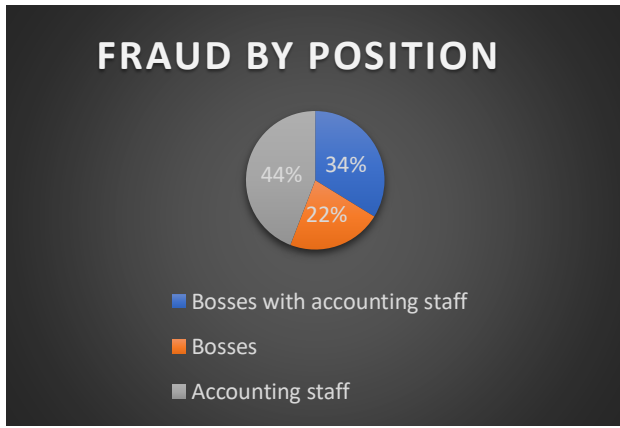
Figure 3: Demographic profile

<i>Social demographic Characteristic</i>	<i>f</i>	<i>%</i>
Sex		
Male	380	69.4
Female	159	29.5
Years of service		
0-5 years	149	27.6
6-10 years	143	26.5
11-20 years	130	24.1
Above 21 years	117	21.7
Level of education		
Low level of education	351	65.1
High level of education	188	34.9

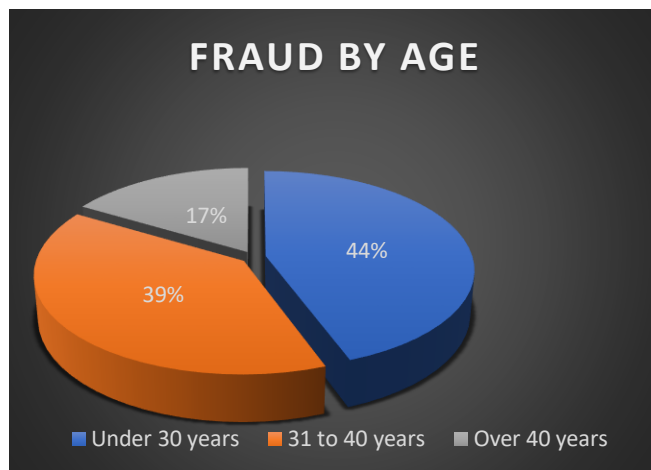
The oldest was 62 and the youngest was 23 years. The levels of education were rather low for the jobs they were performing as more than half n = 351 (65.1%) had certificates and just over a quarter n = 188 (34.9%) who were categorised as having high level of education had either a diploma or degree. Several arguments support the thought of specific training for school managers and therefore the importance of investing in their formal development so on improve the standard of school leadership. Therefore, to satisfy the stress of a constantly evolving society, schools must have well-qualified management, because the latter have a particular impact on pupil performance (Leithwood et al., 2006)

Pattern of Mismanagement by Position, Gender and Ages

The table above shows that less than half-n = 238 (44.2%) respondents perceived financial mismanagement to be committed by accounting staff and less than half, n = 182 (33.8%) by bosses with accounting staff and just less than a quarter n = 119 (22.1%) by bosses.



Males n = 329 (61.0%) were perceived to be more dominant in committing financial mismanagement than females n = 210 (39.0%).



The under 30 years age group accounted for just about half n = 239 (44.3%) of the respondents' perceptions of financial mismanagement were as the under 31 to 40 years age group accounted for over a quarter n = 211 (39.1%) and far less than a quarter n = 89 (16.5%) for those above 40.

To determine the extent of the fraud triangle theory's influence on financial mismanagement, the study measured the extent to which respondents believed three variables occurred, as shown in **Table 4.20** below. Regarding the distribution of responses, if we take "somewhat agree" (SWA) as the average number of employees who accept responses with uncertainty, respondents seem to disagree that people will not be affected by pressure from poor financial management. However, they did not agree or disagree that people are influenced by the tendency to perceive opportunities or even give excuses to engage in unethical behaviour. Albrecht et al. (2012) articulates that financial stress comes from factors such as greed, luxury, financial difficulties, and working conditions. These factors indicate that there is little recognition of work performance, and retaliation is required. In most cases, greedy people will work hard to achieve their goals no matter what means they use. In addition, without the support of kinds of illegal means to generate additional income, kinds of extravagant lifestyles are financially difficult to sustain. On the other hand, creating highly competitive and challenging work and industry environments, or rewarding an unacceptably high-risk culture is a good motivation for employees and management to cheat (Zahra et al., 2007). However, people may also be financially motivated to commit fraud due to high bills, high personal debts, low credit worth or high personal financial losses. When these people think that there is no legal means to solve their problems, repay overdue obligations or make up for their losses within the expected time, they can commit fraud (SAAA 2017)

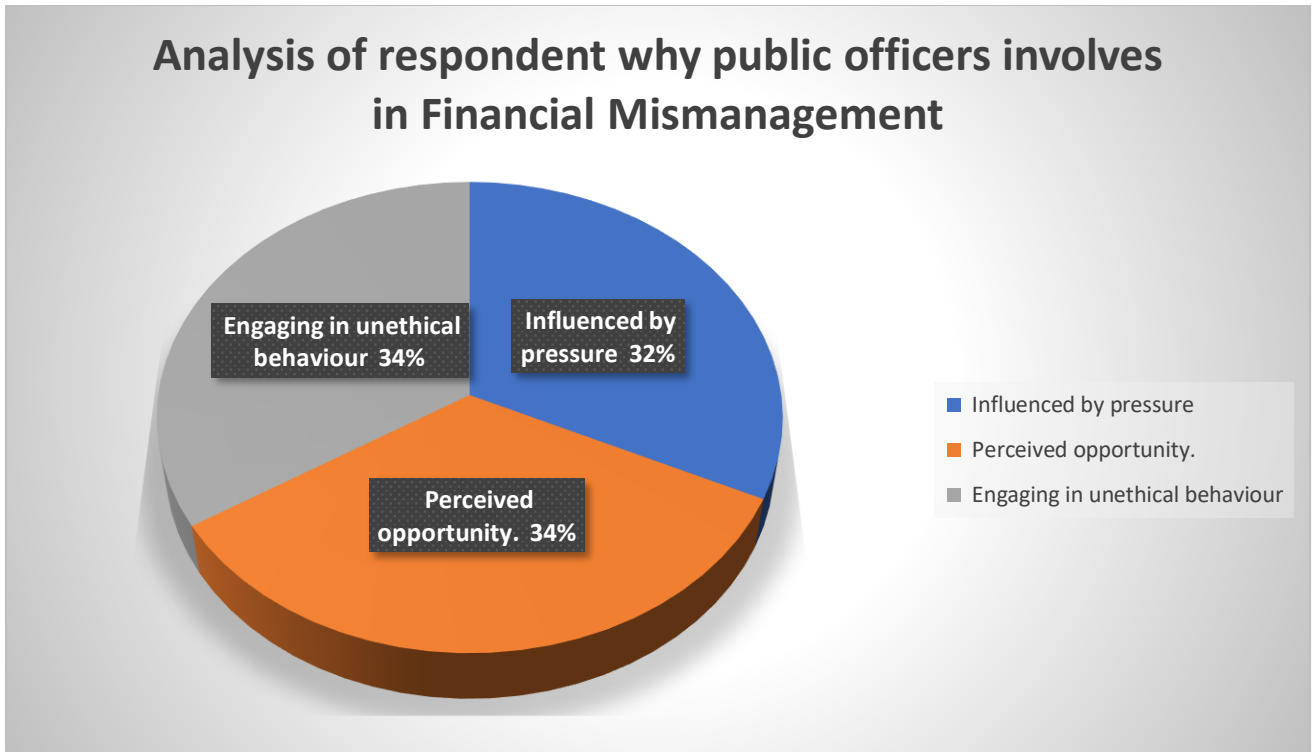


Figure 4 causes of Mismanagement by public officers

From the analysis of the results above, 34% of the respondent indicated that public officers engage in financial misconduct because of unethical behaviour, this also in agreement with other respondent who indicated that 34% the officer involves in financial misconduct because of Pressure and 32% influenced by Pressure. It turns out that greed, infidelity and poverty are the most important drivers of fraud. Insufficient staffing, poor internal control, inadequate training and poor working conditions, and weak corporate governance have been identified as administrative and organizational factors contributing to fraud. However, the study failed to fully reflect the role of rationalization reasons in fraud cases. Similar to the study of Idolor (2010), Pettier, Rivest and Lanoue (2012) also emphasized the role of collusion and the personal characteristics of fraudsters. They pointed out that collusion between employee positions and is a statistically significant factor in the scale of fraud losses, while gender, education level and seniority do not seem to play a convincing role in explaining fraud losses. A notable contribution of the study is that encourages organizations to strengthen their internal controls at the higher-level work level, and encourages organizations to design and implement controls to reduce the risk of collusion (SAAA 2017).

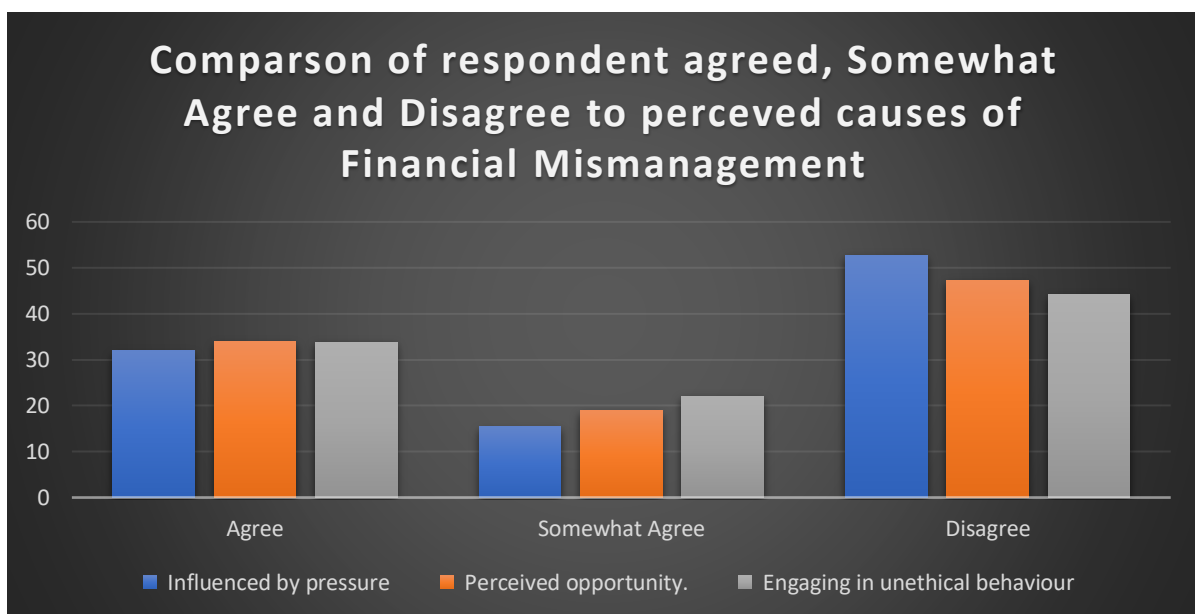


Figure 5 Analysis of respondent to cause of financial mismanagement

Generally, the picture portrayed in this study when the composite scores were categorised, n = 215 (39.9%) perceived that the three constructs (1) opportunity, (2) incentive, and (3) rationalisation collectively had moderate influence to materiality of financial mismanagement n = 191 (35.4%) had low influence and n 133 (24.7%) had high influence . For fraud (financial mismanagement) to occur, all three elements must be present and, in this case, this is so.

5.0. CONCLUSION

This study found that pressure, perceived opportunity, Skills and abilities and lack of transparency were the main factors that influenced financial mismanagement. According to the research results, the study concluded that the lack of a good policy framework and adequate internal control system, lack of employee training, and lack of employee enthusiasm are the factors affecting the poor management of public funds. The government should formulate monitoring and evaluation policies to guide the effectiveness of county government operations. The general education sector must adopt a good policy framework and an appropriate internal control system to improve service delivery within the institution. In addition, study recommends that public institutions should train employees, as this will improve their skills and can improve management of funds.

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Conflict of interest

The authors declare no conflicts of interest.

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