

**INTEGRATED FINANCIAL MANAGEMENT SYSTEM AND FINANCIAL
REPORTING EFFECTIVENESS : A CASE OF TORORO DISTRICT LOCAL
GOVERNMENT**

PATRICK OKETCHO

S22/MUC/BBA/030

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

October, 2024

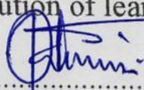


**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

I Oketcho Patrick declare that this is my original piece of work and it has never been submitted to any University or higher institution of learning for award of any qualification

Signature : 

Date : 27/8/2024

APPROVAL

This is to certify that this research report has been done under my close supervision and is now ready for submission to the Department of Businesses Administration of examination with my approval.

Signature : 

Supervisor's Name : **Mr. OWINO SAMSON**

Date : 27th / 08 / 2024

DEDICATION

I dedicate this work to my beloved parents; the late Mr. and Mrs. Ochwo Sylvester, Mr. and Mrs. Owere Onyango Raphael for their contribution in my life.

ACKNOWLEDGEMENT

First and foremost, I would like to thank the almighty God for the gift of life he has given me for some of our friends passed away during the course but has managed to keep me alive up to this day.

I would also like to thank my supervisor Mr. Owino Samson for his tireless efforts and criticisms that helped me produce this quality work.

I would like to thank my fellow course mates for the cooperation he showed during the course.

I would also like to thank the entire staff of Uganda Christian University for their cooperation through the course. May God reward them abundantly.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
LIST OF TABLES	viii
ABBREVIATIONS & ACRONYMS	ix
ABSTRACT	ix
CHAPTER ONE	1
INTRODUCTION	1
1.1 Back Ground of the Study.....	1
1.1.1 Integrated Financial Management Information System (IFMIS)	2
1.1.2 Financial Management.....	5
1.1.3 Integrated Financial Information Management System and Financial Management.....	7
1.1.4 Public Sector in Uganda.....	8
1.2 Research Problem	10
1.3 Research Objectives.....	13
1.3.1 General objective	13
1.3.2 Specific study objectives.....	13
1.4 Value of the Study	13
CHAPTER TWO	15
LITERATURE REVIEW	15
2.1 Introduction.....	15
2.2 Theoretical Framework.....	15
2.2.1 Meta Theory Model	15
2.2.2 Contingency Theory.....	16
2.2.3 System Theory	17

2.3 Determinants of Financial Management	18
2.3.1 IFMIS and Cash Management and Budgeting	18
2.3.2 IFMIS and the Quality of Financial Reporting	19
2.3.3 IFMIS and the Strength of Internal Controls	21
2.3.4 IFMIS and Organisational Transparency and Accountability	22
2.4 Empirical Review.....	23
2.5 Summary of Literature Review	27
CHAPTER THREE	28
RESEARCH METHODOLOGY	28
3.1 Introduction.....	28
3.2 Research Design.....	28
3.3 The target Population.....	28
3.4 Data Collection	29
3.5 Data Analysis	29
3.5.1 Test of Significance	31
3.6 Data Validity and Reliability	31
CHAPTER FOUR.....	33
DATA ANALYSIS, PRESENTATION AND INTERPRETATION	33
4.1 Introduction.....	33
4.2 Demographic Characteristics	33
4.3 Cash Management and Budgeting Systems.....	36
4.4 Financial Reporting Systems	40
4.5 Internal Control Systems.....	44
4.6 Accountability Systems	47
4.7 Financial Management of Public Sector	50
4.8 Regression Analysis.....	51
4.9 Summary and Interpretation of Findings	55

CHAPTER FIVE	59
SUMMARY, CONCLUSION AND RECOMMENDATIONS	59
5.1 Summary of Findings.....	59
5.2 Conclusions.....	60
5.3 Recommendations for Policy and Practice	62
5.4 Limitations of the Study.....	63
5.5 Recommendation for further studies.....	64
REFERENCES.....	66
APPENDICES	71
Appendix I: Research Questionnaire	71

LIST OF TABLES

Table 4. 1: Gender of the respondents	34
Table 4. 2: Age of the respondents	34
Table 4. 3: Academic Qualifications	35
Table 4. 4: No of years worked in the organization.....	36
Table 4.5: Extent that cash management and budgeting systems in IFMIS affect financial management in the ministries	37
Table 4. 6: Extent that aspects of cash management and budgeting systems in IFMIS affect financial management in the government ministries	38
Table 4. 7: Level of agreement with statements on cash management and budgeting systems.....	39
Table 4. 8: Extent that financial reporting systems in IFMIS affect financial management in government ministries	40
Table 4. 9: Extent that aspects of financial reporting systems in IFMIS affect financial management in government ministries	41
Table 4. 10: Level of agreement with statements on financial reporting systems.....	42
Table 4. 11: Extent that internal control systems in IFMIS affect financial management in government ministries	44
Table 4. 12: Extent that aspects of internal control systems in IFMIS affect financial management in government ministries	45
Table 4. 13 Level of agreement with statements on internal control systems	45
Table 4. 14: Extent that organisational accountability systems in IFMIS affect financial management in government ministries	47
Table 4. 15: Extent that aspects of organisational accountability systems in IFMIS affect financial management in government ministries	48
Table 4. 16: Level of agreement with statements on organisational accountability systems.....	49
Table 4. 17: Trend of the various aspects of financial management in government ministries since adoption of IFMIS.....	50
Table 4.18: Model Summary	51
Table 4. 19: Summary of One-Way ANOVA results	53

ACRONYMS

ERP	Entrepreneur Resource Planning
GoK	Government of Uganda
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPPD	Integrated Personnel Payroll Data
IT	Information Technology
PFM	Public Financial Management
PIFRA	Project to Improve Financial Reporting and Auditing
PSWP	Public Sector Work Program
SPSS	Statistical Package for Social Sciences
USAID	United States Agency for International Development

ABSTRACT

Generally, the objective of implementing Integrated Financial Management Information System (IFMIS) is to increase the effectiveness and efficiency of state financial management and facilitate the adoption of modern public expenditure practices in keeping with international standards and benchmarks. The main objectives of the study was to analyse the effectiveness of cash management and budgeting systems; financial reporting systems in IFMIS; internal control systems in IFMIS; and the effectiveness of organisational accountability systems in IFMIS on financial management in public sector in Uganda. The study adopted a descriptive research in this study with a targeted population of 18 National Government Ministries in Uganda. The primary data was collected using questionnaire that relates to specific objectives of the study. Secondary data involved past reports such as annual budget data, progress reports and internal audits reports since the system implementation started and had key information that will be helpful to the research study. The study used both quantitative and qualitative method of data analysis. Collected data was first coded and then quantitatively analysed according to statistical information derived from the research questions. Secondary data were derived from desk review of annual information on IFMIS for all variables for a period of three years (2013-2015). The study found that organizational accountability systems, cash management and budgeting systems, internal control systems and financial reporting systems positively and significantly influenced the financial management in the public sector. The study recommends that managers can use this information to plan and formulate budgets; examine results against budgets and plans; manage cash balances; track the status of debts and receivables; monitor the use of fixed assets and monitor the performance of specific departments or units.

CHAPTER ONE

INTRODUCTION

1.1 Back Ground of the Study

Generally, the objective of implementing Integrated Financial Management Information System (IFMIS) is to increase the effectiveness and efficiency of state financial management and facilitate the adoption of modern public expenditure practices in keeping with international standards and benchmarks. Much of the work in automating IFMIS systems has focused on financial management information system, including general ledger, accounts payable, accounts receivable, procurement, payroll, asset management, debt management, budgeting. Other points in this regard were to start from where you are in terms of PFM system development, rather than from where you want to be and also to recognize that not everything may need to be automated. As IFMIS systems evolve, the needs will change, so the scope of the automation can be expanded. Given the rapid change in technology, it may not be feasible to plan all of these potential needs or IT options in advance (Bartel, 2009).

Governments in developing countries are increasingly exploring methods and systems to modernise and improve public financial management. For example, over the years, there has been an introduction of the IFMIS as one of the most common financial management reform practices, aimed at the promotion of efficiency, effectiveness, accountability, transparency, security of data management and comprehensive financial reporting. The scope and functionality of an IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Husnan & Pudjiastuti, 2006).

This follows a growing interest in the quality of public sector financial management in developing countries by the donor community. In the early years after the fall of the Berlin Wall in 1989, interest in the state affairs was limited, but following the World Bank's report, the role of the state became increasingly prominent in development efforts, and particularly in the drive against poverty (World Bank, 2008). As a result, consultants and other advisors of governments in Africa started toying with idea of the introduction of modern information technology, the Integrated Financial Management Information Systems -IFMIS (World Bank, 2004).

The government of Uganda has for a long time been very much concerned over the persistent poor performance in financial management due to lack of reliable and timely information for decision making. A review by the department of accountant general at treasury, financial management, accounting systems and role of audits revealed weaknesses in the management of financial information. The review focused on the need to develop a strategic plan aimed at improving the financial management systems; skills and capacity within the government financial operations units. It also reviewed how timeliness of financial information, if improved, could form the basis for improving control of expenditure against budget (Kinyua, 2003).

1.1.1 Integrated Financial Management Information System (IFMIS)

An IFMIS is a fiscal tool for government that bundles all financial management functions into one suite of applications. It is an Information Technology (IT) based budgeting and accounting system designed to assist the government entities on how to plan budget requests, spend their budgets, manage and report on their financial activities, and deliver services to the public more efficiently, effectively and economically. IFMIS operates on a common structure and platform that will enable

improved compatibility and consistency of fiscal and financial information, reduces governments overall investment in the development of expensive accounting systems in each government entity (Diamond & Khemani, 2005).

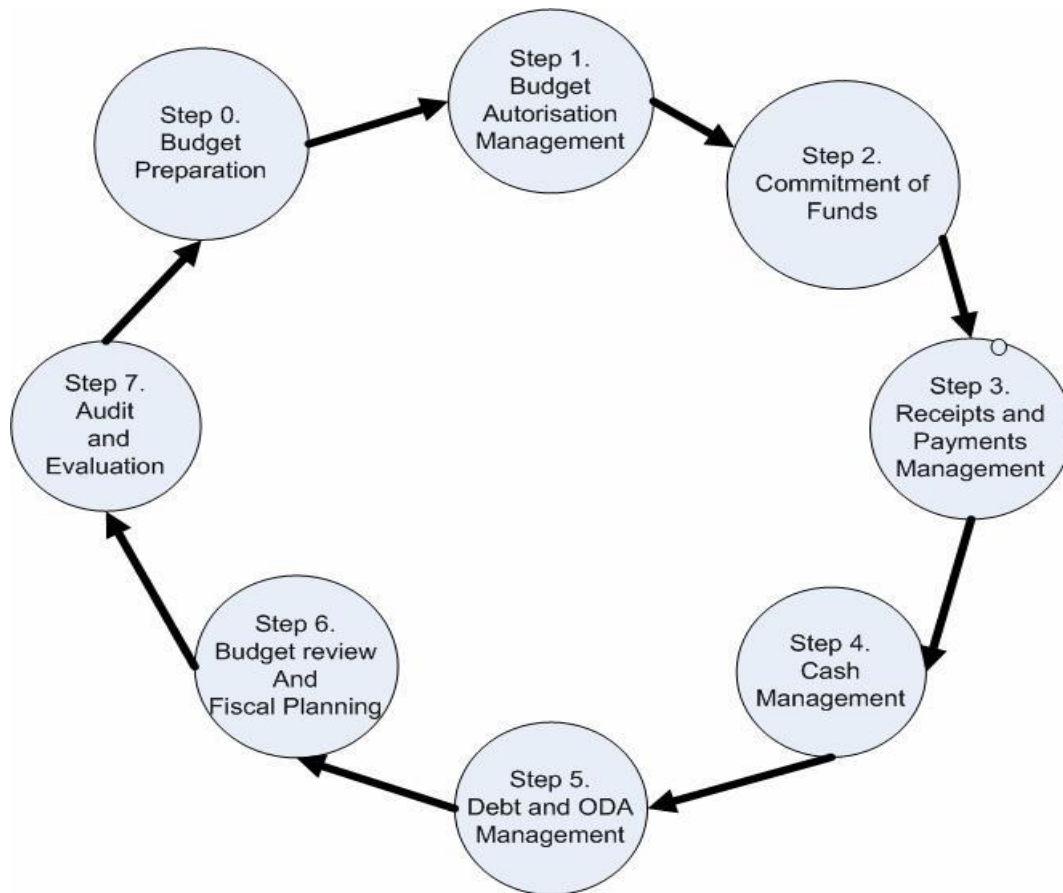
One of the basic features of the IFMIS is the ability to interface with a number of existing and planned automated systems such as the Integrated Personnel Payroll Data (IPPD) and Government Payments Solution (G-pay). IFMIS software to Uganda government was contracted to oracle financials in 2003. Oracle financials being an Entrepreneur Resource Planning (ERP) was designed to consolidate the core modules to all ministries, these are; purchasing module, accounts payable module, general ledger module, cash management module and public sector budgeting module (Ministry of Finance, 2013). Effectiveness and improved outcomes are important goals for any IFMIS acquisition. The benefits of an IFMIS include: better fiscal management, more optimal resource allocation, improved management of resources (value for money), reduced fraud and corruption, improved transparency and accountability, lower transaction costs (Ministry of Finance, 2003). Diamond and Khemani (2005) said that an IFMIS consists of several Elements with different functions. He identified the core of an IFMIS to include the following Modules and systems, General ledger, budgetary accounting, Accounts payable and Accounts Receivable, and the noncore or other modules as, Payroll system, Budget development, Procurement, Project ledger and Asset module.

Integration is the key to any successful IFMIS. In a nutshell, integration implies that the system has the following basic features; standard data classification for recording financial events, internal controls over data entry, transaction processing, reporting, a common process for similar transactions and a system design that eliminates duplicate

data entry. Integration often applies only to core financial management functions that an IFMIS supports, but in an ideal world it would also cover other information systems within which the core systems communicate such as human resources, payroll, and revenue. At a minimum, the IFMIS should be designed to interface with these systems. IFMIS can improve an organization's financial management by enhancing management of cash, debt and liabilities. It also has the ability to use historical information to provide better budget modelling processes.

Integrated financial management information system in public financial management involves a number of steps which are simulated from single point of data entry widely accepted as the basic requirement to accomplish real time financial data or fiscal discipline. This format may use functional structured approach for all financial management functions under one umbrella for the purpose of transparency, accuracy and timeliness. United States Agency for International Development guide considered function of budgeting in PFM as illustrated in figure 1 below. This demonstrated the complex set of various functions of government that may be supported by IFMIS. These include the typical functions that make up the PFM cycle, from budget formulation to budget execution and review, to audit and evaluation of financial performance and results (USAID, 2008).

Figure 1: IFMIS and the public financial management cycle



Source: USAID IFMIS Practical Guide (2008)

1.1.2 Financial Management

"Financial" relating to finance, or money, and can also be interpreted as the science of managing money. Management means to control something in a way that is satisfactory. Hence financial management is that managerial activity which is concerned with the planning and controlling of financial resources. Planning, directing, monitoring, organizing and controlling of the monetary resources (Husnan & Pudjiastuti, 2006). There is need for basic numeracy skills such as the ability to calculate returns on investments, the interest rate on debt, and basic arithmetic ability. The lack of knowledge in financial management contributes to the low survival of new venture creation and eventually the high rate of failure among the entrepreneurs

and frequently the entrepreneurs are intimidated by financial management (Timmons & Spaneli, 2007).

Financial management is concerned with the planning, organizing, procurement and utilization of government financial resources as well as the formulation of appropriate policies in order to achieve the aspiration of members of that society. Premchand (1999) sees public financial management as the link between the community's aspirations with resources, and the present with future. It lies at the very heart of the operations and fiscal policy of government. Financial management involves many stages which includes;

Policy Formulation which is one of the most important stages in financial management structure according to Premchand (1999), the transformation of the society's aspirations into feasible policies with well recognized financial implication is at the heart of financial management. Budget formulation is the step that involves the allocation of resources before the submission to the legislature for review and final approval. According to Appah, (2009), the budget formulation involves the articulation of the fiscal, monetary, political, economic, social, and welfare objectives of the government. One of the fundamental aspects of public sector financial management in Uganda is the issue of audit of government financial reports. Audit is the process carried out by suitably qualified Auditors during which the accounting records and the financial statement of enterprises are subjected to examination by the independent auditors with the main purpose of expressing an opinion in accordance with the terms of appointment.

Government accounting and financial reporting is a very important component of the public sector financial management process in Uganda. Government accounting entails the recording, communicating, summarizing, analysing, and interpreting financial statement in aggregate and in details. In the same vein, premchand (1999) argues that government accounts have the dual purpose of meeting internal management requirement while providing the public with a window on government operations. Uganda is expected to perform this very important task of controlling and regulating the revenue and expenditure estimates in any fiscal year. It is the responsibility of the members of the national assembly to ensure that the budget estimates are properly scrutinized to ensure accuracy, effectiveness and efficiency of government revenue and expenditure.

1.1.3 Integrated Financial Management Information System and Financial Management

Integrated Financial Management Information System (IFMIS) is an information system that tracks financial events and summarizes financial information. In its basic form, an IFMIS is little more than accounting system configured to operate according to the needs and specifications of the environment in which it is installed. Generally IFMIS refers to the use of information and communications technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, IFMIS refers more specifically to the computerization of the public financial management processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for financial management of line

ministries, spending agencies and other public sector operations (Timmons & Spaneli, 2007).

An IFMIS stores, organizes and makes access to financial information easy. It not only stores all the financial information relating current and past years spending, but also stores the approved budgets for these years' details on inflows and outflow of funds, as well as complete inventories of financial assets (e.g. equipment, land and buildings) and liabilities (debt). A strong Public Financial Management (PFM) system is a catalyst for economy's growth and development. It ensures that the government and its departments raise manage and spend public resources in an efficient and transparent way. Sound systems, strong legal and regulatory frameworks as well as a competent and productive civil service are the cornerstones of an efficient PFM regime. Public Financial Management reforms have been identified as the key drivers to efficient public service delivery and creation of wealth and employment (McKinney, 2004).

1.1.4 Public Sector in Uganda

Integrated financial management information system in public financial management involves a number of steps which are simulated from single point of data entry widely accepted as the basic requirement to accomplish real time financial data or fiscal discipline. This format may use functional structured approach for all financial management functions under one umbrella for the purpose of transparency, accuracy and timeliness. United States Agency for International Development guide considered function of budgeting in PFM. This demonstrated the complex set of various functions of government that may be supported by IFMIS. These include the typical functions that make up the PFM cycle, from budget formulation to budget execution

and review, to audit and evaluation of financial performance and results (USAID, 2008).

The government of Uganda has for a long time been very much concerned over the persistent poor performance in financial management due to lack of reliable and timely information for decision making. A review by the department of accountant general at treasury, financial management, accounting systems and role of audits revealed weaknesses in the management of financial information. The review focused on the need to develop a strategic plan aimed at improving the financial management systems; skills and capacity within the government financial operations units. It also reviewed how timeliness of financial information, if improved, could form the basis for improving control of expenditure against budget (Kinyua, 2003).

The government of Uganda took an initiative to address the shortcomings of the financial reporting system and to ensure good governance. The International Monetary Fund (IMF) carried out a survey in government accounting in early 1993 followed by a diagnostic study sponsored by the World Bank; this led to introduction of IFMIS. The main objective of this project was to computerize the whole accounting and auditing system in the country. The idea behind computerizing the whole system was generation of accurate and reliable financial statements; to monitor fiscal deficit; to forecast flow of cash; to manage public debt and to achieve effective financial controls (Kinyua, 2003). The old accounting system lacked timeliness, accuracy and most importantly transparency. Accounts of any organization, large or small, are the most important tool for curbing the corruption by keeping an eye on cash flows and more importantly to give the overall inner picture of the organization to the stakeholders which helps them take informed decisions (Kearney, 2004).

Peterson et al. (2008) noted that in modern cash management, the emphasis is usually on the part of the cash management which is responsible for many operations. A person responsible for the cash management function is primarily concerned with short-term financial activities. In a changing money management environment, it is more important to know how to improve the company's cash position, including managing accounts receivable, improving cash flow, transferring funds, and controlling cash disbursements. It is therefore necessary to assess the effect of Integrated Financial Management Systems on cash management.

1.2 Research Problem

Diamond and Khemani (2005) noted that in most developing countries, budget execution and accounting processes were or are either manual or supported by very old and inadequately maintained software applications. They said that this has had detrimental effects on the functioning of the public expenditure management (PEM) systems and that the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management resulting in a poorly controlled commitment of government resources, often leading to a large build-up of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment and misallocation of resources thus undermining the effectiveness and efficiency of service delivery. Further, they said governments have found it difficult to provide an accurate, complete, and transparent account of their financial position and this lack of information has hindered transparency and the enforcement of accountability in government. In light of these adverse developments, it is perhaps not surprising that many developing countries have pressed for, or have been pressed into, adopting

Integrated financial management information system (IFMIS) projects to strengthen their PEM systems.

1.3 Purpose of the study

The purpose of the study was to examine the role of integrated financial management system on effectiveness of financial reporting in Tororo district local government.

1.4 Research Objectives

1.4.1 General objective

The general objective of the study was to analyse the effectiveness of IFMIS on financial management in Tororo district local government.

1.4.2 Specific study objectives

- i. To assess the effect of cash management and budgeting on IFMIS on financial reporting in Tororo district local government.
- ii. To assess the effect of revenue control on IFMIS on financial reporting in Tororo district local government.
- iii. To assess the relationship between IFMIS and financial reporting in Tororo district local government.

1.5 Research Questions

1. What is the effect of cash management and budgeting on IFMIS and financial reporting in Tororo district local government?
2. What is the effect of revenue control on IFMIS and financial reporting?
3. What is the relationship between IFMIS and financial reporting in Tororo district local government?

1.6.0 Scope of the study.

1.6.1 Geographical scope. The research was carried out in Tororo district local government.

1.6.2 Time scope. The research covered a period of three years ranging from financial years of 2021 to 2023 and was conducted from January to August, 2024

1.6.3 Content scope. The study sought to establish the role of integrated financial management system on accountability in Tororo district local government.

1.7 Significance of the study

1. The study was beneficial to policy makers of Tororo district and other local government in finding a solution to the problems of reporting on IFMIS and accountability.
2. The research was beneficial to other academicians as they will use it for literature review while carrying out research in the similar area.
3. The study was of use to other stakeholders for example donors and the central government to analyze linkages between IFMIS and accountability.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to review the literature that forms the basis of this study and compares and Contrasts the findings from previous researchers. Both independent and dependent variables are also explained in this chapter and finally the summary of the chapter.

2.1 Determinants of Financial Management

2.2.1 Effect of cash management and budgeting using IFMIS on financial reporting effectiveness in Tororo district local government.

The functional process of budgeting can be categorized as those carried out by the central agencies and those carried out by the spending ministries and agencies. Those of the former group are most directly linked to the control framework-indeed one of the main functions of the central agencies (particularly the ministry of finance) is to ensure that the control framework is properly applied through government ministries. This functional process covers two interrelated areas; macro fiscal forecasting, budget preparation and approval, and budget execution, cash management and accounting. The first set of processes supports the objectives of setting fiscal policy and strategic priorities. The second set supports the objective of optimizing the use of budgeted resources and ensuring accountability (Allan, 1999). At the start of the budget cycle, the central agencies generally the ministry of finance send the sector agencies a budget circular indicating economic prospects and broad policy objectives (in some cases based on the formal micro economic framework), and giving the parameters within which the budget for each ministry is to be prepared. The circular may give

specific ceilings for expenditure by each agency and program. The sector agencies respond with their budget projects (World Bank, 2004).

Dorotinsky (2003) argues that there are a number of ways in which IFMIS can improve public finance management, but generally IFMIS seek to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. They seek to improve budget planning and execution by providing timely and accurate data for budget management and decision making. IFMIS allow a more standardized and realistic budget formulation across government, while promoting better control over budget execution through the full integration of budget execution data. They also allow for the decentralization of financial functions and processes under the overall control of the Ministry of Finance, enhance financial discipline and control operating costs by reducing administrative tasks and civil servants' workload.

Since budget requests generally exceeds, negotiating at the technical level between central and sector agency staff are required to review costing for existing discussions and are often required to set inter sectarian priorities and priorities among the program and project projects to ensure that the selected projects can be funded within the macroeconomic framework. The framework should be updated frequently particularly during budget initiation and finalization as well as subsequent reviews during the financial year. As a result of these discussions, a draft document is prepared (Ministry of Finance Report, 2008).

Relationship between IFMIS and financial reporting in Tororo district local government

Financial reports retrospectively describe the results of an organization's financial transactions and events in terms of its financial position and performance. According to Simson, Sharma and Aziz (2011), financial reports aim to improve budget compliance. They provide a means for internal or external actors to assess government performance. Thurakam (2007) posit that in order to serve its objectives meaningfully, financial reports must be relevant, accurate, prompt and authentic.

The financial statements must be pertinent for the purpose for which they are meant for. Irrelevant and unwanted information should be avoided but at the same time material facts must necessarily be disclosed (Thurakam, 2007). According to Rupanagunta (2006), transactions data captured in the right formats classified appropriately and presented in simple, easy to use formats can be used as valuable decision support systems. For instance, capturing the specific function performed or service rendered and the nature of the expenditure of each financial transaction undertaken by the government can be used to understand the true cost of service delivery by activity.

Simson et al (2011) elucidate that financial reporting entails extracting and presenting data from the accounting system in ways that facilitate analysis. Governments produce a range of reports for internal and external consumption. Typical reports include daily reports on hard cash flows, monthly reports on financial plan execution, revenue reports, mid-year reports and annual financial statements or fiscal reports. There are internationally recognised minimum requirements for annual fiscal reporting. These

Internal control systems are the policies and procedures put in place by the management of a government agency in order to ensure the agency achieves its objectives and complies with external laws and regulations. Such policies and procedures tend to cover monetary book-keeping and reporting, performance monitoring, asset management and procurement (Simson et al., 2011). As a management tool IFMIS also enables management to do the following: control aggregate spending and the deficit, prioritise expenditure across policies, programmes and projects to achieve efficiency and equity in the allocation of resources, make better use of budgeted resources, namely, to achieve outcomes and produce outputs at the lowest possible cost (Hendricks, 2012). In other words, the benefits anticipated in implementing IFMIS are: enhanced governance, reduced fraud, transparency and accountability, and better monitoring and evaluation.

According to Oz (2006), the goal of financial managers, including controllers and treasurers, is to manage an organization's money as efficiently as possible. They achieve this goal by collecting payables as soon as possible, making payments at the latest time allowed by contract or law, ensuring that sufficient funds are available for day-to-day operations and taking advantage of opportunities to accrue the highest yield on funds not used for current activities. Simson et al (2011) pointed out that in order to effectively manage the government's cash flow and prevent debts from accumulating, it is important to monitor the pipeline of future payments. In addition, procurement is a common source of corruption and therefore procurement systems tend to include controls aimed to detect and deter corruption via IFMIS.

Hendricks (2012) submits that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft. These include, for example, automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross-referencing of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and identification of ghost workers.

According to McKinney (2004), the benefits of IFMIS could be argued to be profound. First, the improved recording and process of government financial transactions also allows prompt and efficient access to reliable financial data. Second, IFMIS strengthens financial controls, facilitating a full and updated picture of commitments and expenditure on a continuous basis. Once a commitment is made, the system should be able to trace all the stages of the transaction processing from budget releases, commitment, purchase, payment request, and reconciliation of bank statements and accounting of expenditure.

According to Dener and Young (2013), most discussants agree that for true lucidity, it is important not only that governments publish budget data on websites, but that the data they disclose are meaningful and provide a full picture of their financial activity to the public. Hendricks (2012) highlights that IFMIS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programmes. By tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability in the budget cycle as a whole.

Diamond and Khemani (2005) for instance reported that in Tanzania, the benefits of the IFMIS have been extensive, with the restoration of expenditure control and improved levels of transparency and accountability. The Commitment Control System has led to the elimination of overspending, and a substantial reduction in domestic arrears. A number of government bank accounts have been reduced to treasury single accounts maintained at the central bank, and the lag in reconciliation with banking data has been reduced from up to two years to automatic reconciliation on a daily basis. Comprehensive and fully reconciled fiscal data and reports are available on a continuous basis.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study's research design, target population, data collection instrumentation, testing for validity and reliability, data collection procedure and methods of data analysis and presentation of results.

3.2 Research Design

Research design is the general plan of how one goes about answering the research questions (Creswell, 2003). From the objectives, it is evident that the research is both of a quantitative. A descriptive research design was applied in this study. Bryman and Bell (2003) assert that a descriptive design seeks to get information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. Creswell (2003) observes that a descriptive research design is used when data are collected to describe persons, organizations, settings or phenomena. The data collection for descriptive research presents a number of advantages since it can provide a very multifaceted approach using interviews, observations, questionnaires and participation. This is because the study intends to obtain accurate and factual information on the effects of IFMIS on financial management in public sector.

3.2 Population of the study

The population that was surveyed to achieve the research objectives included Tororo district employees from all levels.

3. 3.3 Sample size and sampling procedure

A sample of 60 respondents was identified to fill the questionnaires.

Table 1: Showing sample size

Category of respondents	Frequency
Revenue officers	05
Senior finance secretaries	06
Secretary for finance	01
Members of tender board	09
Staff from accounts department	09
Sub-accountants	10
Tax payers	21
Total	60

Source: Primary data, 2024

3.4 Data sources

These included both primary and secondary data sources

3.4.1 Primary data

Primary data refers to data observed or collected from firsthand experience original data collected at the source and compiled for the purposes of this research study. This was collected from the self administered questionnaires.

3.4.2 Secondary data

This is data that was extracted from existing literature for example internal accounting reports, monthly financial reports, annual reports, audited reports, district/sub country final accounts manuals, annual budget proposal and the background to the budget.

3.5 Data collection instrument.

The researcher used questionnaires to collect data structured and short forms of questions were extended to respondents which needed short and precise answers. Questionnaires are short form of questions designed and distributed to respondents requiring them to fill short and precise answers about the subject under study short.

3.5.1 Data collection methods

Survey method: This is where data was collected from the entire population or large sample. This method was used due to its wider coverage and in addition it permitted the comparison and generalisation of findings in a cross section of the study area.

Interviews: Face to face in depth interviews were conducted to collect data .This helped to close down the gap left by the survey method.

3.6 Validity of the Instrument

Data validity was considered to ensure dependability through consultations with experts in same field about the content of the instruments and my supervisor. Also with the calculation of the content validity index (CVI). The calculation of CVI was computed with the help of SPSS. George and Mallery, (2003) rating, the validity of the instrument is supposed to be above 0.5 (Mugenda and Mugenda, 2013).

3.7 Reliability of the Instruments

Foengel and Norman, (2005) argue that reliability refers to the consistency of the score obtained, how consistent they are for each individual from one administration of an instrument to another and from one set of the items to another. Therefore, the reliability of the instrument was determined through piloting the instrument. That is to say 10 questionnaires were tested. The calculation of the Cronbach Alpha coefficient was used to validate the instruments. The advantage of this process was to aid correction of the errors within the

tools of data collections to verify how they are reliable to produce significant information from the field.

3.8 Research Procedure

The researcher, before going to collect primary data from the field, followed the well established steps as listed below:

Researcher obtained the introduction letter from the university to the area of the study.

Approval of the research instruments to be used in the data collection such as Questionnaire.

Data collection from the area of the study using the approved methods and techniques

3.9 Ethical Considerations

The study gathered information that creates a report that serves as a building block for transparency and openness for Nation building. The norms and values of each respondent were highly respected. They were assured of full confidentiality of the information they give.

There are certain ethical protocols that were followed by the researcher. The researcher first sought for clear approval from the respondents. This clearly made them certain that their participation in this study is out of their own preference

The researcher also ensured that the respondents are aware of the objectives of the study and their input to its completion. The ethical measures were highly exercised by the researcher in treating the respondents with respect and consideration. The advantage of this was that the respondents were at ease and freely gave honest responses to the questionnaire.

3.10 Data processing, analysis and presentation.

This involved editing, coding and tabulation

3.10.1. Data processing

This was done using editing and tabulation.

Editing was done to detect and eliminate errors and identifying vital information that was relevant in coding and tabulation.

Tabulation involved the use of statistical techniques like use of percentages and tables to test significance of the data from which meaningful interpretation was drawn.

Classification was also used. This is where data was classified for example according to age bracket, responses from respondents and marital status among others. For example respondents above 18 years were classified together in one class.

3.10.2 Data analysis

Data that was collected, was analyzed using statistical computer package called SPSS, to examine and determine degree of relationship.

3.10.3 Data presentation.

Tables were employed to present the data.

3.11. Limitations to the study.

The researcher faced the problem of inadequate funds as there was need to move from one place to another and this to some extent limited the collection of data.

Also the researcher faced the problem of fatigue as the research study involved moving from place to place looking for the respondents.

The researcher also faced another limitation of some of the respondents giving information unwillingly and there is a belief that some of them could have given wrong information which may not match with the purpose of the research

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. This chapter presents analysis of the data on the effect of integrated financial management information system on the financial management of public sector in Uganda. The chapter also provides the major findings and results of the study.

4.1.1 Response Rate

The study targeted a sample size of 18 respondents from which 16 filled in and returned the questionnaires making a response rate of 88.9%. This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Demographic Characteristics

The study sought to establish the background information of the respondents including respondents' gender, age, academic qualifications and work experience.

Table 4. 1: Gender of the respondents

	Frequency	Percent
Male	36	68.8
Female	24	31.3
Total	60	100.0

Source: Primary data, 2024

The study inquired on the gender of the respondents. From the findings, 68.8% of the respondents were male while 31.3% were female.

Table 4. 2: Age of the respondents

	Frequency	Percent
26-36 years	10	6.25
36-45 years	13	31.25
46-55 years	17	50
Over 56 years	20	12.5
Total	60	100.0

Source: Primary data, 2024

Regarding the age of the respondents, the study found that 50% were aged between 46-55 years, 31.25% were aged between 36-45 years, 12.5% were aged over 56 years while 6.25% of the respondents were aged between 26-36 years.

Table 4. 3: Academic Qualifications

	Frequency	Percent
PhD Level	3	6.25
Masters Level	15	25
First Degree	30	50
Diploma	12	18.75
Total	60	100.0

Source: Primary data, 2024

The study also sought to establish the respondents' highest level of education. According to the findings, the majority of the respondents (50%) had an undergraduate degree, 25% had a master's degree, 18.75% had a diploma while 6.25% of the respondents had a PhD.

Table 4. 4: No of years worked in the organization

	Frequency	Percent
1- 2 Yrs	3	6.3
2-4 Yrs	12	12.5
4-6 Yrs	15	25.0
6- 10 Yrs	15	25.0
10 -15 Yrs	11	12.5
Above 15 Yrs	4	18.8
Total	60	100.0

Source: Primary data, 2024

On the years of service/working period at ministry, the findings in table 4.4 show that majority of the respondents had worked for 4-6 and 6- 10 years as shown by 25% in each case, 18.8% had worked for a period of above 15 years, those who had worked for 2-4 years and 10 -15 years were represented by a 12.5% each while 6.3% had worked in the ministry for 1- 2 years.

4.3 Cash Management and Budgeting Systems

The study sought to establish the influence of cash management and budgeting systems on financial management in the public sector.

Table 4.5: Extent that cash management and budgeting systems in IFMIS affect financial management in the ministries

	Frequency	Percent
Moderate extent	10	12.5
Great extent	16	18.8
Very great extent	34	68.8
Total	60	100.0

Source: Primary data, 2024

Regarding the extent that cash management and budgeting systems influence the financial management in the public sector, majority of the respondents (68.8%) indicated that cash management and budgeting systems influence the financial management in the public sector to a very great extent, 18.8% said to a great extent while 12.5% of the respondents felt that cash management and budgeting systems influence the financial management in the public sector to a moderate extent.

The study inquired the extent that aspects of cash management and budgeting systems influence financial management in the public sector.

Table 4. 6: Extent that aspects of cash management and budgeting systems in IFMIS affect financial management in the government ministries

	Mean	Std. Deviation
Security	4.1250	1.02470
Reliability	3.4375	.72744
Macro fiscal forecasting	4.0625	.77190
Cash management	4.3135	.63246
Budget preparation and approval	4.2062	.73030

On the extent that aspects of cash management and budgeting systems influences financial management in the public sector, the respondents indicated that the aspects of cash management and budgeting systems influence financial management in the public sector to a great extent include cash management as shown by a mean score of 4.3135, budget preparation and approval as shown by a mean score of 4.2062, security as shown by a mean score of 4.1250 and macro fiscal forecasting as shown by a mean score of 4.0625 while reliability had a moderate effect as shown by a mean score of 3.4375.

The study also required the respondent to indicate their level of agreement with statements regarding cash management and budgeting systems.

Table 4. 7: Level of agreement with statements on cash management and budgeting systems

	Mean	Std. Deviation
IFMIS seek to enhance confidence and credibility of the budget through greater comprehensiveness of information	4.4908	.86225
IFMIS seek to enhance confidence and credibility of the budget through greater transparency of information	3.8718	.79898
IFMIS seek to improve budget planning by providing timely and accurate data for budget management and decision making	4.1941	.96770
IFMIS seek to improve execution by providing timely and accurate data for budget management and decision making	3.7363	.96827

From the study findings, majority of the respondents agreed that IFMIS seek to enhance confidence and credibility of the budget through greater comprehensiveness of information as illustrated by a mean score of 4.4908, IFMIS seek to improve budget planning by providing timely and accurate data for budget management and decision making as illustrated by a mean score of 4.1941, IFMIS seek to enhance confidence and credibility of the budget through greater transparency of information as illustrated by a mean score of 3.8718 and IFMIS seek to improve execution by providing timely and accurate data for budget management and decision making as illustrated by a mean score of 3.7363.

4.4 Financial Reporting Systems

The study further sought to find out the influence of financial reporting systems in IFMIS on financial management in the public sector.

Table 4. 8: Extent that financial reporting systems in IFMIS affect financial management in government ministries

	Frequency	Percent
Little extent	5	6.3
Moderate extent	15	25.0
Great extent	10	18.8
Very great extent	30	50.0
Total	60	100.0

From the study findings portrayed in table 4.8, most of the respondents (50%) indicated that financial reporting systems influence the financial management in the public sector to a very great extent, 25% said to a moderate extent, 18.8% said to a great extent while 6.3% of the respondents were of the view that financial reporting systems influence the financial management in the public sector to a little extent.

Table 4. 9: Extent that aspects of financial reporting systems in IFMIS affect financial management in government ministries

	Mean	Std. Deviation
Security	4.0164	.59813
Reliability	3.5373	.70342
Accuracy	3.5821	.65480
Promptness	4.0522	.65790
Relevance	4.1194	.89650
Authenticity	4.0324	.73030

The researcher also wanted to establish the extent that various aspects of financial reporting systems affect financial management in government ministries. From the findings, the study deduced that the aspects of financial reporting systems affect financial management in government ministries to a great extent include relevance as shown by a mean score of 4.1194, promptness as shown by a mean score of 4.0522, authenticity as shown by a mean score of 4.0324, security as shown by a mean score of 4.0164, accuracy as shown by a mean score of 3.5821 and reliability as shown by a mean score of 3.5373.

Table 4. 10: Level of agreement with statements on financial reporting systems

	Mean	Std. Deviation
IFMIS enables me to understand the true cost of service delivered per activity	4.5625	.81394
I can easily extract and present data from IFMIS in ways that facilitate analysis	4.0378	1.31656
I can access IFMIS to derive the specific information I require to carry out my work	2.8125	1.55858
There are built-in analytical tools within IFMIS that enables trend analysis of various elements of fiscal operations in the office	3.6250	1.45488
Through IFMIS, I am able to reconcile transactions data in real-time	4.1250	.88506
IFMIS accurately discloses the financial position to the public	4.3125	.70415
The IFMIS system enables me to generate custom reports for internal and external use	4.5000	.63246
I can easily access non-financial information such as employee number and cadre	3.6875	1.19548
With IFMIS, I have at my disposal information that can quickly provide year to year balances which can be used for analysis throughout the year	4.3750	.61914

IFMIS offers real-time financial information that enhances my decision making abilities	4.3125	.47871
---	--------	--------

The respondents were also required to indicate the aspects of financial reporting systems that affect financial management in government ministries. From the findings, the respondents strongly agreed that IFMIS enables me to understand the true cost of service delivered per activity and that the IFMIS system enables me to generate custom reports for internal and external use as illustrated by a mean score of 4.5625 and 4.5000 respectively.

The respondents also agreed that with IFMIS, I have at my disposal information that can quickly provide year to year balances which can be used for analysis throughout the year as illustrated by a mean score of 4.3750, IFMIS accurately discloses the financial position to the public as illustrated by a mean score of 4.3125, IFMIS offers real-time financial information that enhances my decision making abilities as illustrated by a mean score of 4.3125, Through IFMIS, I am able to reconcile transactions data in real-time as illustrated by a mean score of 4.1250, employees can easily extract and present data from IFMIS in ways that facilitate analysis as illustrated by a mean score of 4.0378, employees can easily access non-financial information such as employee number and cadre as illustrated by a mean score of 3.6875 and there are built-in analytical tools within IFMIS that enables trend analysis of various elements of fiscal operations in the office as illustrated by a mean score of 3.6250. They were however neutral on the fact that employees can access IFMIS to derive the specific information I require to carry out my work as illustrated by a mean score of 2.8125.

4.5 Internal Control Systems

The study further sought to establish the influence of internal control systems on financial management in the public sector.

Table 4. 11: Extent that internal control systems in IFMIS affect financial management in government ministries

	Frequency	Percent
Moderate extent	14	25.0
Great extent	29	43.8
Very great extent	17	31.3
Total	60	100.0

From the findings as shown by table 4.12, 43.8% of the respondents indicated that internal control systems affects the financial management in the public sector to a great extent, 31.1% said to a moderate extent while 25% said internal control systems affects the financial management in the public sector to a moderate extent.

Table 4. 12: Extent that aspects of internal control systems in IFMIS affect financial management in government ministries

	Mean	Std. Deviation
Enhance governance	4.2875	.47871
Reduced fraud	4.3750	.50000
Monitoring and evaluation	4.1875	.47871

The study sought to establish the extent that aspects of internal control systems affect financial management in government ministries. The study found that the aspects of internal control systems that affect financial management in government ministries to a very great extent include reduced fraud, enhance governance and monitoring and evaluation as shown by a mean score of 4.3750, 4.2875 and 4.1875 respectively.

Table 4. 13 Level of agreement with statements on internal control systems

	Mean	Std. Deviation
Since implementation of IFMIS, duplication and jurisdictional problems in exchanging information have been minimized	4.3750	1.20416
IFMIS allows for cross-referencing of personal identification numbers and asset inventories that has reduced cases of fraud significantly	4.1875	.47871
IFMIS can trace all the stages of a transaction process hence enhancing transparency and accountability of the process	4.5625	.62915

built-in features within IFMIS facilitates effective monitoring and evaluation of public sector's activities	3.5064	.73030
IFMIS has improved the effectiveness and efficiency of public expenditure programmes	3.7500	.85635
FMIS provides auditable financial statements from the ministry	2.8175	1.2583
Since the implementation of IFMIS, there is enhanced confidence and credibility of the ministry's budget	3.8125	1.04682
Use of IFMIS has greatly enhanced security of information which minimizes risk of corruption and improve reliability of the system	4.3750	.95743

The respondents were requested to indicate the extent that internal control systems influence the financial management in the public sector. From the findings, majority of the respondents strongly agreed that IFMIS can trace all the stages of a transaction process hence enhancing transparency and accountability of the process as illustrated by a mean score of 4.5625.

The respondents were in agreement that since implementation of IFMIS, duplication and jurisdictional problems in exchanging information have been minimized as illustrated by a mean score of 4.3750, use of IFMIS has greatly enhanced security of information which minimizes risk of corruption and improve reliability of the system as illustrated by a mean score of 4.3750, IFMIS allows for cross-referencing of personal identification numbers and asset inventories that has reduced cases of fraud significantly as illustrated by a mean score of 4.1875, since the implementation of

IFMIS, there is enhanced confidence and credibility of the ministry's budget as illustrated by a mean score of 3.8125, IFMIS has improved the effectiveness and efficiency of public expenditure programmes as illustrated by a mean score of 3.7500 and built-in features within IFMIS facilitates effective monitoring and evaluation of public sector's activities as illustrated by a mean score of 3.5064. They were neutral on the fact that FMIS provides auditable financial statements from the ministry as illustrated by a mean score of 2.8175.

4.6 Accountability Systems

The study sought to explore the effect of organisational accountability systems on financial management in government ministries.

Table 4. 14: Extent that organisational accountability systems in IFMIS affect financial management in government ministries

	Frequency	Percent
Not at all	10	6.3
Great extent	30	50.0
Very great extent	20	43.8
Total	60	100.0

Majority of the respondents (50%) indicated that organisational accountability systems affects the financial management in the public sector to a great extent, 43.8% said it influences to a very great extent, 6.3% said it does not influence at all while 2.9% of the respondent indicated that organisational accountability systems affects the financial management in the public sector to a moderate extent.

Table 4. 15: Extent that aspects of organisational accountability systems in IFMIS affect financial management in government ministries

	Mean	Std. Deviation
Disclosure	4.0756	.73030
Costing analysis	4.1753	.81650
Tracking financial events	4.0125	.72744
Quality of information	3.5046	.81650
Availability of information	4.1250	.71880

From the findings, the aspects of organisational accountability systems in IFMIS that affect financial management in government ministries include costing analysis as shown by a mean score of 4.1753, availability of information as shown by a mean score of 4.1250, disclosure as shown by a mean score of 4.0756, tracking financial events as shown by a mean score of 4.0125 and quality of information as shown by a mean score of 3.5046.

Table 4. 16: Level of agreement with statements on organisational accountability systems

	Mean	Std. Deviation
IFMIS assists management in ensuring accountability for the deployment and use of public resources.	4.0250	.71880
IFMIS aims at improving the quality and availability of information necessary at various stages of public financial management, such as budgeting, treasury management, accounting and auditing	4.1250	.61914
Disclose are meaningful and provide a full picture of their financial activity to the public	3.5625	.72744
IFMIS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programme	4.367	.73030
By tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability	3.5625	.62915
The Commitment Control System has led to the elimination of overspending, and a substantial reduction in domestic arrears	4.2500	.77460

Majority of the respondents were in agreement that IFMIS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programme as

shown by a mean score of 4.367, The Commitment Control System has led to the elimination of overspending, and a substantial reduction in domestic arrears as shown by a mean score of 4.2500 and IFMIS aims at improving the quality and availability of information necessary at various stages of public financial management, such as budgeting, treasury management, accounting and auditing as shown by a mean score of 4.1250.

They also agreed that IFMIS assists management in ensuring accountability for the deployment and use of public resources as shown by a mean score of 4.0250, Disclose are meaningful and provide a full picture of their financial activity to the public and by tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability as shown by a mean score of 3.5625 in each case.

4.7 Financial Management of Public Sector

Table 4. 17: Trend of the various aspects of financial management in government ministries since adoption of IFMIS

	Mean	Std. Deviation
Audit scrutiny	3.1875	.65511
Planning of financial resources	4.3500	.68313
Directing of financial resources	3.0625	.77190
Monitoring of financial resources	4.0625	.85391
Organizing of financial resources	4.1625	.51235

Controlling of financial resources	4.0875	.47871
------------------------------------	--------	--------

On the trend of the various aspects of financial management in government ministries since adoption of IFMIS, majority of the respondents indicated that there has been an improvement in planning of financial resources as shown by a mean score of 4.3500, organizing of financial resources as shown by a mean score of 4.1625, controlling of financial resources as shown by a mean score of 4.0875 and monitoring of financial resources as shown by a mean score of 4.0625. However, they indicated that audit scrutiny and directing of financial resources were constant as shown by a mean score of 3.1875 and 3.0625 respectively.

4.8 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions

Table 4.18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8662	0.7503	0.6902	0.7325

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R^2 , also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 69.02% of the changes in the financial

management in the public sector could be attributed to the combined effect of the predictor variables.

Table 4. 19: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.223	4	2.306	3.334	0.015
	Residual	42.876	11	0.692		
	Total	52.099	15			

The probability value of 0.015 indicates that the regression relationship was highly significant in predicting how organizational accountability systems, cash management and budgeting systems, internal control systems and financial reporting systems influenced financial management in the public sector. The F calculated at 5% level of significance was 3.334 since F calculated is greater than the F critical (value = 2.5252), this shows that the overall model was significant.

Table 4. 20: Regression coefficients of the relationship between financial management in the public sector and the four predictive variables

Model	Unstandardized		Standardized		t	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta			
1(Constant)	1.053	0.217			2.889	5.31E-03
Organisational accountability systems	0.682	0.149	0.613		5.309	1.58E-06
Cash management and budgeting systems	0.701	0.181	0.149		3.210	2.10E-03
Internal control systems	0.599	0.196	0.234		4.255	7.19E-05
Financial reporting systems	0.763	0.091	0.138		3.989	1.78E-04

As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 1.053 + 0.682X_1 + 0.701X_2 + 0.599X_3 + 0.763X_4$$

The regression equation above has established that taking all factors into account (organisational accountability systems, cash management and budgeting systems, internal control systems and financial reporting systems) constant at zero financial

management in the public sector will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the organisational accountability systems would lead to a 0.682 increase in the scores of financial management in the public sector and a unit increase in the scores of cash management and budgeting systems would lead to a 0.701 increase in the scores of financial management in the public sector. Further, the findings shows that a unit increases in the scores of internal control systems would lead to a 0.599 increase in the scores of co financial management in the public sector. The study also found that a unit increase in the scores of financial reporting systems would lead to a 0.763 increase in the scores of financial management in the public sector.

Overall, financial reporting systems had the greatest effect on the financial management in the public sector, followed by cash management and budgeting systems, then organisational accountability systems while level of internal control systems had the least effect to the financial management in the public sector. All the variables were significant ($p < 0.05$).

4.9 Summary and Interpretation of Findings

From the The regression model above, the study established that taking all factors into account (organisational accountability systems, cash management and budgeting systems, internal control systems and financial reporting systems) constant at zero financial management in the public sector will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the organisational accountability systems would lead to a 0.682 increase in the scores of financial management in the public sector and a unit increase in the scores of cash management and budgeting systems would lead to a 0.701 increase in the scores of 55

financial management in the public sector. Further, the findings shows that a unit increases in the scores of internal control systems would lead to a 0.599 increase in the scores of co financial management in the public sector. The study also found that a unit increase in the scores of financial reporting systems would lead to a 0.763 increase in the scores of financial management in the public sector. Overall, financial reporting systems had the greatest effect on the financial management in the public sector, followed by cash management and budgeting systems, then organisational accountability systems while level of internal control systems had the least effect to the financial management in the public sector. All the variables were significant ($p < 0.05$).

The study established that the coefficient for cash management and budgeting systems was 0.701, meaning that cash management and budgeting systems positively and significantly influenced the financial management in the public sector. The study further established that security, reliability, macro fiscal forecasting and budget preparation and approval influenced the financial management in the public sector to a great extent. This correlates with Dorotinsky (2003) who argues that there are a number of ways in which IFMIS can improve public finance management by enhancing confidence and credibility of the budget through greater comprehensiveness and transparency of information. Simson et al (2011) also pointed out that in order to effectively manage the government's cash flow and prevent debts from accumulating, it is important to monitor the pipeline of future payments. Chuma (2014) also investigated the integrated Financial Management Information System and Its Effect on Cash Management in Eldoret West District Treasury, Uganda and showed that a reliable system is basically one that is accurate, timely, complete and consistent in collection of information and the infrastructure. The study concluded

that IFMIS is supposed to be secure from destruction, corruption, unauthorized access and breach of confidentiality so that there is efficient cash management.

The study established that the coefficient for financial reporting was 0.763, meaning that financial reporting positively and significantly influenced the financial management in the public sector. The study also established that aspects of financial reporting such as security, reliability, accuracy, promptness, relevance and authenticity influenced the financial management in the public sector to a greater extent. This is in line with Thurakam (2007) who found that in order to serve its objectives meaningfully, financial reports must be relevant, accurate, prompt and authentic. Simson et al (2011) elucidate that financial reporting entails extracting and presenting data from the accounting system in ways that facilitate analysis. However, Kibui (2013) also investigated financial literacy and financial management of the youth enterprise development fund in Konoin constituency Uganda and found that the level of financial literacy among the youth was low which was attributed by low level of financial knowledge, less exposure to managing finances and also their education levels. This indicates that low level of financial knowledge may lead to unreliability, inaccuracy and irrelevant financial reporting.

The study established that the coefficient for internal control systems was 0.599, meaning that internal control systems positively and significantly influenced the financial management in the public sector. The study also established that aspects of internal control systems such as enhance governance, reduced fraud and monitoring and evaluation influenced the financial management in the public sector to a great extent. This agrees with Hendricks (2012) who submits that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and

theft. Simson et al (2011) also pointed out that procurement is a common source of corruption and therefore procurement systems tend to include controls aimed to detect and deter corruption via IFMIS.

The study established that the coefficient for organizational accountability systems was 0.682, meaning that organizational accountability systems positively and significantly influenced the financial management in the public sector. The study further established that aspects of organizational accountability systems such as tracking financial events, availability of information, costing analysis and disclosure influenced the financial management in the public sector to a great extent. This is in line with Diamond and Khemani (2005) who reported that in Tanzania, the benefits of the IFMIS have been extensive, with the restoration of expenditure control and improved levels of transparency and accountability.

The study further established that there has been an improvement in planning of financial resources as shown by a mean score of 4.3500, organizing of financial resources as shown by a mean score of 4.1625, controlling of financial resources as shown by a mean score of 4.0875 and monitoring of financial resources as shown by a mean score of 4.0625. This correlates with Muigai (2012) results that IFMIS has greatly contributed to improvement in financial management in Uganda. Hashim (2001) investigated core functional requirements for fiscal management systems.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The government of Uganda has for a long time been very much concerned over the persistent poor performance in financial management due to lack of reliable and timely information for decision making. A review by the department of accountant general at treasury, financial management, accounting systems and role of audits revealed weaknesses in the management of financial information. It is with this regard that the study sought to analyse the effectiveness of IFMIS on financial management in public sector in Uganda. The main objectives of the study was to analyse the effectiveness of cash management and budgeting systems; financial reporting systems in IFMIS; internal control systems in IFMIS; and the effectiveness of organisational accountability systems in IFMIS on financial management in public sector in Uganda. The study adopted a descriptive research in this study with a targeted population of 18 National Government Ministries in Uganda. The primary data was collected using questionnaire that relates to specific objectives of the study. Secondary data involved past reports such as annual budget data, progress reports and internal audits reports since the system implementation started and had key information that will be helpful to the research study. The study used both quantitative and qualitative method of data analysis. Collected data was first coded and then quantitatively analysed according to statistical information derived from the research questions. Secondary data were derived from desk review of annual information on IFMIS for all variables for a period of three years (2013-2015). The data was subjected to a multilinear regression equation model to test the relationship between the independent variable, IFMIS

Performance and the dependent variables of financial reporting, budgeting, internal control and organizational commitment, accountability and transparency. The study established that taking all factors into account (organisational accountability systems, cash management and budgeting systems, internal control systems and financial reporting systems) constant at zero financial management in the public sector will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the organisational accountability systems would lead to a 0.682 increase in the scores of financial management in the public sector and a unit increase in the scores of cash management and budgeting systems would lead to a 0.701 increase in the scores of financial management in the public sector. Further, the findings shows that a unit increases in the scores of internal control systems would lead to a 0.599 increase in the scores of co financial management in the public sector. The study also found that a unit increase in the scores of financial reporting systems would lead to a 0.763 increase in the scores of financial management in the public sector.

5.2 Conclusions

The study concludes that cash management and budgeting systems positively and significantly influence the financial management in the public sector. The study further concludes that security, reliability, macro fiscal forecasting and budget preparation and approval influence the financial management in the public sector to a great extent. This correlates with Dorotinsky (2003) who argues that there are a number of ways in which IFMIS can improve public finance management by enhancing confidence and credibility of the budget through greater comprehensiveness and transparency of information.

The study also concludes that financial reporting positively and significantly influences the financial management in the public sector. The study also concludes that aspects of financial reporting such as security, reliability, accuracy, promptness, relevance and authenticity influenced the financial management in the public sector to a greater extent. This is in line with Thurakam (2007) who found that in order to serve its objectives meaningfully, financial reports must be relevant, accurate, prompt and authentic.

The study further concludes that internal control systems positively and significantly influenced the financial management in the public sector. The study further concludes that aspects of internal control systems such as enhance governance, reduced fraud and monitoring and evaluation influence the financial management in the public sector to a great extent. This agrees with Hendricks (2012) who submits that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft.

The study concludes that organizational accountability systems positively and significantly influenced the financial management in the public sector. The study further concludes that aspects of organizational accountability systems such as tracking financial events, availability of information, costing analysis and disclosure influenced the financial management in the public sector to a great extent. This is in line with Diamond and Khemani (2005) who reported that in Tanzania, the benefits of the IFMIS have been extensive, with the restoration of expenditure control and improved levels of transparency and accountability.

The study finally concludes that IFMIS has improved organizing of financial resources, controlling of financial resources and monitoring of financial resources. This correlates with Muigai (2012) results that IFMIS has greatly contributed to improvement in financial management in Uganda. Hashim (2001) investigated core functional requirements for fiscal management systems.

5.3 Recommendations

The study recommended that the public sector institutions should put in place proper financial systems to enhance financial performance and generation of usable output by employees. On motivation the study recommends that management for public sector institutions responsible for IFMIS integration should improve reward system because it enhances financial management.

The study also recommends that managers can use this information for a variety of purposes; to plan and formulate budgets; examine results against budgets and plans; manage cash balances; track the status of debts and receivables; monitor the use of fixed assets; monitor the performance of specific departments or units; and make revisions and adjustments as necessary, to name a few. Reports can also be tailored to meet the reporting requirements set by external agencies and international institutions like the International Monetary Fund (IMF).

Public finance policy makers should focus on the scope and functionality of an IFMIS system which can vary from a basic general ledger accounting application to a comprehensive system covering budgeting, accounts receivable or payable, cash management, internal control, financial reporting and accountability system. The huge proportion of non-conforming state corporations underscores the need for the National

government through line ministries to bring the remnant state corporations to the fold owing to the fact that public expenditure through the state corporations accounts for over 45% of the GDP of the country.

The study recommends that the introduction of IFMIS system should not just be seen as a technology fix, since simply automating tasks that did not need to be carried out in the first place rather IFMIS implementation should be seen as a public financial reform that affects how things are done across government ministries and parastatals.

The study sought to find the effect of IFMIS on financial management in the public sector in Uganda. The study population involved the Government Ministries based in Nairobi. Further studies could be undertaken by involving other regions or departments in the country. The researcher obtained a sample composed of one officer directly involved in the use of IFMIS in each ministry. A more expanded scope whereby all cadre of staff are involved could form a basis for further research. The Ministry of Finance have carried out reengineering of the system. The results of this reengineering could possibly unearth other variables of significance hence a further research can be carried out to establish any new developments in the systems use.

The researcher analysed four major factors that were believed to have significantly affected IFMIS implementation. Further research could be conducted by incorporating more factors (variables).

The study recommends that in future, a study be conducted on the effectiveness of IFMIS in both private and public sector in Uganda. This study will be key in identifying whether the IFMIS adopted by organizations are important in improving

the financial management and what other strategies can be adopted so as to improve financial management.

This study concentrated on Government Ministries based alone and thus did not collect the views from other institutions such as parastatals and other sectors of the economy. It is therefore recommended that in future, the study be conducted across all government institutions. This will be important so as to generalize findings for the entire public institutions.

REFERENCES

- Ajayi, C.M. & Omirin, S. P. (2007). Key Issues in Information Systems Management. *Accounting Review*, 4, 409–508.
- Allan, W. (1999). *Core Functional Requirements for Fiscal Management Systems*. International Monetary Fund: Washington DC.
- Barry, H. (2001). *Guidelines for Public Expenditure Management*, International Monetary Fund, Washington DC.
- Bartel, M. (2009). *Integrated Financial Management Systems: A Guide to Implementation Based on the Experience in Latin America*. Washington DC: Institute for Democratic Strategies, LATPS Occasional Paper Series.
- Bryman, A., & Bell, E. (2015). *Business research methods*. Oxford university press.
- Caplan, E. (1966). Behavioral Assumptions of Management Accounting. *Accounting Review*, 4, 409–508.
- Chebete, R. (2013). *The Critical Success Factors In the Implementation of the Re-Engineered Integrated Financial Management Information System in Government Ministries, Uganda*. Unpublished MBA Thesis, University of Nairobi.
- Chuma, T. (2014). The Integrated Financial Management Information System And Its Effect On Cash Management In Eldoret West District Treasury, Uganda. *International Journal of Business and Social Science* 5(8), 23-48.
- Creswell, J. W. (2003). *Educational research: Planning, conducting, and evaluating quantitative*. Prentice Hall.

- Dener, C. & Young, S. (2013). *Financial Management Information Systems and Open Budget Data: Do Governments Report on Where the Money Goes?* Washington DC: World Bank Publications.
- Diamond, J. & Khemani, P. (2005). IMF. On the advice of foreign aid agencies to adopt IFMIS. *Accounting, Organizations and Society*, 12(1), 49-61.
- Dorotinsky, K. T. (2003). *The World Bank's Experience with Financial Management Information System (FMIS) Projects*. World Bank Washington DC.
- Gerdin, J. & Greve, J. (2004). Forms of contingency fit in management accounting research—a critical review. *Accounting, Organizations and Society*, 29(3), 303-326.
- Gorry, G. A., & Morton, M. S. S. (1971). *A framework for management information systems* (Vol. 13). Massachusetts Institute of Technology.
- Government of Uganda (Gok) (2011) *Economic Survey*. Government printer.
- Hashim, A. (2006). *Information Systems for Government Fiscal Management*. World Bank Sector Study Series, World Bank, Washington DC.
- Hendricks, C. J. (2012). Integrated Financial Management Information Systems: Guidelines for effective implementation by the public sector of South Africa. *AOSIS Open Journals*, 14 (1), 529.
- Husnan, W. & Pudjiastuti, S. A. (2006). Evaluasi Sistem Pengadaan Obat Dari Dana APBD
- Kang'ethe, P.M. (2002). *ICT in Learning Institutions*. First Edition; Longman Publishers, Nairobi, Uganda.

- Kearney, Y. (2004). *Development of Model in Financial Time Series Management*, GARCH Model, New York Stock Exchange, New York.
- Kibui, R. (2013). *Financial Literacy and Financial Management of the Youth Enterprise Development Fund in Konoin Constituency Uganda*. Unpublished MBA Thesis, University of Nairobi.
- Kinyua, J.K. (2003). *Uganda Economic Survey*. Ministry of Finance, Nairobi, Uganda.
- Macintosh, N. B. (1981). Management control systems and departmental interdependencies: an empirical study. *Accounting, Organizations and Society*, 12(1), 49-61.
- McKinney, J. B. (2004). *Effective Financial Management in Public and Nonprofit Agencies*. Portsmouth: Greenwood Publishing Group.
- Ministry of Finance (2013). *What is IFMIS?* Retrieved on 31st March 2014 from www.treasury.go.ke/index.php/.../554-ifmis-re-engineering
- Ministry of Finance Report (2003). *Public Performance Contracting Report*. Nairobi, Uganda.
- Ministry of Finance Report (2008). *Public Performance Contracting Report*. Nairobi, Uganda.
- Mugenda, A. G., & Mugenda, O. M. (2003): *Research methods: Quantitative & Qualitative approaches*; Nairobi, ACTS press.
- Muigai, W. (2012). *The Effect of Integrated Financial Management Information Systems on the Financial Management of Public Sector in Uganda*. Unpublished MBA Thesis, University of Nairobi.

- Njonde, J. N., & Kimanzi, K. (2014). Effect of integrated financial management information system on performance of public sector: A case of Nairobi County Government. *International Journal of Social Sciences and Entrepreneurship*, 1(12), 913-936.
- Oz, E. (2006). *Management Information Systems*. New York: Cengage Learning.
- PIFRA (2004). <http://en.wikipedia.org/wiki/PIFRA>.
- Premchand, A. (1999). Public financial accountability. *Governance, corruption and public financial management*, 145-92.
- Reneau, J. H., & Grabski, S. V. (1987). A review of research in computer-human interaction and individual differences within a model for research in accounting information systems. *Journal of Information Systems*, 2, 33-a53.
- Ruchala, L and Mauldin E. (1999). Towards a Meta Theory of Accounting Information Systems. *Accounting, Organizations and Society* 24 (1999) 317-331.
- Rupanagunta, K. (2006). E-Governance in Public Finance Management: An Overview. *IIMB Management Review*, 1(2), 403-413.
- Simson, R., Saharma, N. & Aziz, I. (2011). *A guide to public financial management literature for practitioners in developing countries*. London: Overseas Development Institute.
- Thurakam, R. M. E. (2007). *Management Accounting*. New Delhi: New Age International.
- Timmons, J.A. & Spinelli, S. (2007). *New venture creation: entrepreneurship for the*

21 century 7th ed. New York: McGraw-Hill.

Walsham, G. (1988). Information Systems as Social Systems- Implications for Developing Countries. *Information Technology for Development*,3(3), 23-45.

Wang, R. Y. (2005). *Redefining the Scope and Focus of Information Quality Work: Advances in Management Information Systems*. M.E. Sharpe Inc, Armonk, New York.

Warmbrod, J. R. (2001). *Conducting, interpreting, and reporting quantitative research*. Research Pre-Session, New Orleans, Louisiana.

Widdowson, D. & Hailwood, K. (2007). Financial Literacy and Its Role in Promoting a Sound Financial System. *Reserve Bank of New Zealand Bulletin*, 70(2): 37-47.

Widener, S. K. (2004). An empirical investigation of the relation between the use of strategic human capital and the design of the management control system. *Accounting, Organizations and Society*, 29(3), 377-399.

World Bank (2004). *Malawi Country Financial Accountability Assessment*; online: <http://www.countryanalyticalword.net> (accessed: 15 January. 2014).

World Bank Report (2008). *World Development Indicators Database*. [www.worldbank.org/data]. 80 Economic Status.

QUESTIONNAIRE.

Dear respondent,

I'm Oketcho Patrick a student of Uganda Christian University carrying out a research on the topic, **“integrated financial management system and financial reporting effectiveness. A case of Tororo district local government”** and I'm requesting you to spare for me some time and respond to my questionnaire. All the response given to me will be treated with utmost confidentiality and only used for academic purposes.

Thanks.

SECTION A: GENERAL INFORMATION

1) Gender

Male]

Female]

2) Age Bracket

18-25 years] 26-36 years]

36-45 years] 46-55 years]

Over 56 years]

3) Academic Qualifications

PhD Level Masters Level

First Degree Diploma

4) How long have you been working in your department

1- 2 Yrs]

2-4 Yrs []

4-6 Yrs []

6- 10 Yrs []

10 -15 Yrs []

Above 15 Yrs []

Please, indicate whether you strongly agree 1, agree 2, Neutral 3, disagree 4 or strongly disagree 5 in the statements below:

	1	2	3	4	5
IFMIS seek to enhance confidence and credibility of the budget through greater comprehensiveness of information					
IFMIS seek to enhance confidence and credibility of the budget through greater transparency of information					
IFMIS seek to improve budget planning by providing timely and accurate data for budget management and decision making					
IFMIS seek to improve execution by providing timely and accurate data for budget management and decision making					

Please, indicate whether you strongly agree 1, agree 2, Neutral 3, disagree 4 or strongly disagree 5 in the statements below:

	1	2	3	4	5
IFMIS enables me to understand the true cost of service delivered per activity					

I can easily extract and present data from IFMIS in ways that facilitate analysis					
I can access IFMIS to derive the specific information I require to carry out my work					
There are built-in analytical tools within IFMIS that enables trend analysis of various elements of fiscal operations in the office					
Through IFMIS, I am able to reconcile transactions data in real-time					
IFMIS accurately discloses the financial position to the public					
The IFMIS system enables me to generate custom reports for internal and external use					
I can easily access non-financial information such as employee number and cadre					
With IFMIS, I have at my disposal information that can quickly provide year to year balances which can be used for analysis throughout the year					
IFMIS offers real-time financial information that					

enhances my decision making abilities					
---------------------------------------	--	--	--	--	--

Please, indicate whether you strongly agree 1, agree 2, Neutral 3, disagree 4 or strongly disagree 5 in the statements below:

	1	2	3	4	5
Since implementation of IFMIS, duplication and jurisdictional problems in exchanging information have been minimized					
IFMIS allows for cross-referencing of personal identification numbers and asset inventories that has reduced cases of fraud significantly					
IFMIS can trace all the stages of a transaction process hence enhancing transparency and accountability of the process					
built-in features within IFMIS facilitates effective monitoring and evaluation of public sector's activities					
IFMIS has improved the effectiveness and efficiency of public expenditure programmes					
FMIS provides auditable financial statements from the ministry					

Since the implementation of IFMIS, there is enhanced confidence and credibility of the ministry's budget					
Use of IFMIS has greatly enhanced security of information which minimizes risk of corruption and improve reliability of the system					

Please, indicate whether you strongly agree 1, agree 2, Neutral 3, disagree 4 or strongly disagree 5 in the statements below:

	1	2	3	4	5
Improved recording and process of government financial transactions allows prompt and efficient access to reliable financial data					
IFMIS assists management in ensuring accountability for the deployment and use of public resources.					
IFMIS aims at improving the quality and availability of information necessary at various stages of public					

financial management, such as budgeting, treasury management, accounting and auditing					
Disclose are meaningful and provide a full picture of their financial activity to the public					
IFMIS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programme					
By tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability					
The Commitment Control System has led to the elimination of overspending, and a substantial reduction in domestic arrears					

ACCEPTANCE LETTER

TELEPHONE: District Chairperson...0454-660588
TELEPHONE: CAO0454-660542
TELEPHONE: DCAO0454-660523
TELEPHONE: CFO0454-660584
E-mail:tororolg@utlonline.org
URL: <http://www.tororo.go.ug>



THE REPUBLIC OF UGANDA

TORORO DISTRICT LOCAL GOVERNMENT

P. O. BOX 1

TORORO,

UGANDA

IN CASE OF ANY CORRESPONDENCE ON THIS
SUBJECT PLEASE QUOTE REF:

CR/64/8

23rd August 2024

The Head of Department, Business
Uganda Christian University
Mbale University College

RE: RESEACH STUDY OF MR. OKETCHO PATRICK.

This is to inform you that your student has been granted an opportunity to undertake his research study in Tororo district local government under the topic of Integrated Financial Management System and Financial Reporting Effectiveness, case of Tororo district local government.

The research findings should be shared with the institution.

Your attention is drawn to section j-f of the Uganda government standing orders and circular standing instruments no. 3 of 2011, relating to internship procedures in the public services.

A handwritten signature in blue ink, appearing to read 'Augustine Oteba'.

AUGUSTINE SEVERINO OTEBA
FOR: CHIEF ADMINISTRATIVE OFFICER-TORORO



Cc: Mr. Oketcho Patrick.