EFFECTS OF IFMIS PRACTICES IN PUBLIC FINANCE MANAGEMENT PERFORMANCE: A CASE STUDY OF KENYA POWER AND LIGHTING COMPANY

BY

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EFFECTS OF IFMIS PRACTICES IN PUBLIC FINANCE MANAGEMENT
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COMPANY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY

SUMMER 2018
DECLARATION

I declare that this research project is my original work and has not been presented for any award in any other university.

Sign_____________________________       Date_____________________________

Sammy Lamba (649161)

This research project has been submitted for examination with my approval as university supervisor.

Sign_____________________________       Date_____________________________

Kepha Oyaro

Sign_____________________________       Date_____________________________

Dean, Chandaria School of Business
DEDICATION

I dedicate this work to the Almighty God who has helped me this far and granted me the opportunity to think of contributing to the well-being of humanity, and who has blessed me with a gift of a loving family that has accorded me support, patience and encouragement during the entire period of the study and their continued prayers towards the successful completion of this proposal.
ACKNOWLEDGEMENT

I take this opportunity to thank my supervisor for the commitment, dedication and tireless effort in guiding me through the rigorous process of proposal development. To my supervisor I say, “I have learnt a lot and will forever be grateful”.

I would also like to acknowledge all who have helped me in one way or another in particular my family for their unconditional love and support during the period of proposal development.
TABLE OF CONTENTS

DECLARATION .................................................................................................................. i

DEDICATION .................................................................................................................. iv

ACKNOWLEDGEMENT ................................................................................................. v

LIST OF TABLES ........................................................................................................... ix

LIST OF FIGURES ......................................................................................................... x

LIST OF ABBREVIATIONS AND ACRONYMS ................................................................. xi

ABSTRACT .................................................................................................................... xiii

CHAPTER ONE

1.0 INTRODUCTION ........................................................................................................ 1

1.1 Background to the Study .......................................................................................... 1

1.2 Statement of the Problem ....................................................................................... 14

1.3 General Objective ................................................................................................... 16

1.4 Specific Objectives .................................................................................................. 17

1.5 Significance of the study ........................................................................................ 17

1.6 Scope of the Study .................................................................................................. 18

1.7 Definition of Terms ................................................................................................ 18

1.8 Chapter Summary ................................................................................................... 19

CHAPTER TWO .............................................................................................................. 20

2.0 LITERATURE REVIEW .......................................................................................... 20

2.1 Introduction ............................................................................................................ 20

2.2 Risk Management Practices ................................................................................... 20

2.3 Financial Tracking System ..................................................................................... 25

2.4 Real-Time Reporting ............................................................................................. 31

2.5 Optimal Resource Allocation ................................................................................ 36
2.6 Chapter Summary .............................................................................................................. 40

CHAPTER THREE .............................................................................................................. 41
3.0 RESEARCH METHODOLOGY .................................................................................. 41
3.1 Introduction.................................................................................................................. 41
3.2 Research Design......................................................................................................... 41
3.3 Population and Sampling Design............................................................................... 42
3.4 Data Collection Procedure......................................................................................... 45
3.5 Pilot Study.................................................................................................................... 45
3.6 Reliability................................................................................................................... 46
3.7 Data Analysis.............................................................................................................. 46
3.8 Ethical Concerns......................................................................................................... 47
3.9 Chapter Summary ....................................................................................................... 47

CHAPTER FOUR .................................................................................................................. 48
4.0 RESULTS AND FINDINGS ......................................................................................... 48
4.1 Introduction.................................................................................................................. 48
4.2 Background information ........................................................................................... 50
4.3 Risk Management Practices....................................................................................... 54
4.4 Financial Tracking System......................................................................................... 59
4.5 Real-time Reporting.................................................................................................... 62
4.6 Optimal Resource Allocation..................................................................................... 65
4.7 Chapter Summary ....................................................................................................... 68

CHAPTER FIVE .................................................................................................................... 69
5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS ............................... 69
5.1 Introduction.................................................................................................................. 69
LIST OF TABLES

Table 3.1 Target Population .......................................................................................................................... 42
Table 3.2: Sample Size Distribution ............................................................................................................. 45
Table 3.3: Sample Size Distribution ............................................................................................................. 49
Table 3.4: Cronbach’s Alpha Test for Independent Variables .................................................................... 50
Table 3.5: Employment Detail ...................................................................................................................... 53
Table 3.6: Duration Worked ......................................................................................................................... 54
Table 3.7: Combined Likert Scale ............................................................................................................... 59
Table 3.8 Customer satisfaction on tracking payment using IFMIS .................................................... 61
Table 3.9 combined Likert’s scale .............................................................................................................. 62
Table 3.10 combined Likert’s scale ............................................................................................................ 64
Table 3.11 combined Likert’s scale ............................................................................................................ 65
LIST OF FIGURES

Figure 4.1 Age brackets .................................................................................................... 51
Figure 4.2: Gender ............................................................................................................ 52
Figure 4.5 being involved in a leadership role ............................................................... 55
Figure 4.6 Role played at KPLC ..................................................................................... 56
Figure 4.7 Adoption of IFMIS as a good risk management practice.............................. 58
Figure 4.8 Adoption of IFMIS and improved financial tracking system in the company 60
Figure 4.9: Optimality in Resource Allocation ................................................................. 66
Figure 4.10 IFMIS and misuse of financial resources ..................................................... 67
Figure 4.11 IFMIS greatest achievement ...................................................................... 68
# LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AG</td>
<td>Auditor General</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>AFC</td>
<td>Agricultural Finance Corporation</td>
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<td>ASB</td>
<td>Accounting Standards Board</td>
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<td>GFS</td>
<td>Government Financial Statistics</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ICS</td>
<td>Internal Control Systems</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>KPA</td>
<td>Kenya Ports Authority</td>
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<td>KPC</td>
<td>Kenya Pipeline Corporation</td>
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<td>KPLC</td>
<td>Kenya Power and Lighting Company</td>
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<td>KEFRI</td>
<td>Kenya Forestry Research Institute</td>
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<td>KFS</td>
<td>Kenya Forest Service</td>
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<td>KWS</td>
<td>Kenya Wildlife Service</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>KTDA</td>
<td>Kenya Tea Development Authority</td>
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<td>KICD</td>
<td>Kenya Institute of Curriculum Development</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>NYS</td>
<td>National Youth Service</td>
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<td>NHIF</td>
<td>National Hospital Insurance Fund</td>
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<td>PM</td>
<td>Performance Management</td>
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<td>PPP</td>
<td>Public Private Partnerships</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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<td>SIDA</td>
<td>Swedish International Development Agency</td>
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<td>TAM</td>
<td>Technology Acceptance Model</td>
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<td>TSA</td>
<td>Treasury Single Accounts</td>
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ABSTRACT

The purpose of this study was to determine the effects of Integrated Financial Management Information Systems (IFMIS) adoption in the performance of public financial management. The questions of the study are; how does risk management enhances public finance management performance? How is tracking mechanisms affecting public finance management performance? How does real-time reporting promote effective public finance management performance? How does optimal resource allocation enhance effective public finance management performance?

For this study, a descriptive approach was used in carrying out the research, in which a structured questionnaire with both open ended and closed ended questions was used to obtain views from the respondents on the impact of IFMIS in public financial management. The questionnaires were administered on the employees of Kenya Power and Lighting Company (KPLC) from various branches in the country. The respondents were selected based on a probabilistic random sampling design, in which case 260 employees were required to fill a structured questionnaire presented to them. The resulting data was analysed using Statistical Package of Social Sciences (SPSS) and presented on tables and figures respectively.

On risk management practices, the study’s findings established that IFMIS is important in enabling management teams to identify risks associated with an entity especially in public institutions. On financial tracking system, the study found out that IFMIS has made financial monitoring practices easier than before it was adopted in public institutions. This is based on the foundation that there are huge financial transactions and activities that usually take place in financial institutions such as KPLC, which also calls for the need of sophisticated systems in order to improve accuracy in tracking every transaction. On real-time reporting, it was revealed that a well working IFMIS platform has the ability to
monitor transactions on real time basis, a fact that is advantageous to the government in overall. Ideally, IFMIS is a financial instrument that gives governments a full package of financial administration capacity which is into one suite of utilizations. On resource utilization, the study also found that if there is not intentional manipulation of financial data, the use of computerized financial systems in the public entities can be a good avenue of ensuring that there is optimal resource allocation. The study found out that IFMIS has greatly contributed to this by enabling the organization under focus to budget for each of its departments according to different needs. The study concluded that IFMIS will continue to promote effective financial management in public sectors if well implemented.

Finally, the study recommends that management of KPLC should consider training its personnel on system integrity and ethical standards, upgrade computer infrastructure to promote real time reporting and, and that further studies should focus on a wider scope in terms of more institutions. The also study recommended that KPLC and other public institutions should consider putting in place stringent measures to curb financial and system risks which are associated with the use of IFMIS. Additionally, it recommends that there should be political goodwill in order to make the system effective in financial monitoring as well as reduction or elimination of corruption cases in public institutions. Moreover, the study recommended that there is need for an upgrade of IFMIS infrastructure to improve real time reporting as well as customer satisfaction. Finally, the study concluded that management of KPLC should consider intensive training and awareness on the system integrity needs as well as ethical standards of the employees.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Kenya, like many other countries across the world, has in the recent past experienced a drastic revolution in financial management due to the emerging shift towards IFMIS adoption across many state owned corporations including ministries and commissions (Noah, 2015). One of the fundamental factors behind this revolutionary shift is the effects of the ever-changing forces of global macro-economics, which are affecting the nature of management both in the local environment as well as in the international markets (Mohammed, 2007). Additionally, the need for use of integrated financial management systems has been enhanced further due to the advancement in information communication technology (ICT), which is as a result of global transfer of technological know-how, skills and techniques as a result of international trade (Naomi, 2014). Ideally, the need to continuously invent and enhance innovations in technology has made it possible to explore different ways of efficiently undertaking various tasks in different professions, and one such great benefitting profession is the financial management (Noah, 2015). As a result, many states both the developed and developing countries, have reactively responded to this upsurge of potentially wanting to create and use integrated financial management information systems (IFMIS) with a sole aim of ensuring that there is adequate reporting of financial performances (Moses and Solomon, 2016).

Basically, IFMIS is considered to be a very instrumental tool in promoting effective risk management (Noah, 2015), which ranges from efforts of ensuring security of financial resources in an organization (Naomi, 2014), promoting reliability of various reporting approaches, and ensuring that there is conformance with the existing regulations, policies
and procedures (Moses and Solomon, 2016). Secondly, the systems are considered to be important in facilitating appropriate tracking mechanisms in order to improve efficiency in administration activities by ensuring that resources (financial in nature) of an organization are not only put into proper use but economically utilized (Esther, 2008). Such tracking mechanisms include having in place an up-to-date ICT infrastructure, reliable communication strategies and tools, automation of all organizational processes, and strengthening of internal control systems (ICS) (Jane, 2012). Thirdly, real-time reporting is one other important area that organizations adopting the use of IFMIS are deemed to derive which in return promotes easy and quicker retrieval of information, facilitates accuracy of transactions, and improved decision making process in organizations (Jason, 2013). Finally, effective adoption of the system is considered to be a basis of ensuring optimal resource allocation, characterized by transparency, accountability, state responsibility, equitable economic growth and development among different regions in a country, and above all minimizing corruption which is very rampant in most developing countries (Ann, 2012).

On the global context, public financial management reforms commissioned by the Swedish International Development Corporation Agency (SIDA), the Canadian International Development Agency (CIDA), and the African Development Bank (AfDB) was seen as a vehicle that was to promote the achievement of Millennium Development Goals (MDG’s), reduce poverty levels, and improve service delivery immensely prior to the 21st century (USAID, 2008; UNDP, 2014). Primarily, effective IFMIS is essential in promoting accountability and transparency globally, maximizing financial efficiency, and in return leading to long-term economic success (John and Ambrose, 2015). In a typical public office, some of the common activities that are undertaken irrespective of the geographical location or political environment include the preparation of budgets, procurement
activities, oversight and control of prepared budgets, management of debts and taxes, allocation of resources among other functions as they might be evident in different state corporations (Dener et al, 2011). In this regard, an effective IFMIS must in all ways be able to provide solutions to these fundamental goals of public institutions with a preference in promoting efficiency and minimizing wastage of resources (Moses and Solomon, 2016).

While public financial management reforms can be said to be triggered by many factors globally, there is no single reform however that can be attributed to these surges in every country because some factors can be common to specific countries while others being unique to particular nations (Julias and Kalundu, 2014). For instance, it is believed that fiscal crisis facilitated the reforms in Canada, UK, Argentina and Asian economies (Casals, 2009). Alternatively, political changes such as in South Africa and former Soviet Unions played significant influence in bringing these reforms in such countries (Fredrick, Peninah and Sarah, 2014). Consequently, changes in the public expectations or public pressure in the modern times as well can be attributed as a contributive factor to some economies such as in Colombia and Canada, while post conflict also affecting some states such as Rwanda and Afghanistan (Naomi, 2014). Further, studies have also demonstrated that countries such as Philippines, Mexico, Korea and Chile typically adopted the systems purely due to the effect of new technology, while those countries that highly indebted (especially the developing countries) being forced to embrace this trend due to donor pressures (USAID, 2008).

Irrespective of the factors behind the adoption of IFMIS, behind every nation that has embraced the technology lies the objective of promoting efficiency in public administration and hence realigning territorial strategies towards the realization of the MDG’s (John and Eva, 2014). Despite the importance and benefits that most countries anticipate from the implementation of such systems, there are still many challenges that
face counties and therefore hinder fully adoption (Peterson et al, 2008). However, in the recent past many organizations such as the World Bank and other non-governmental organizations have also partnered with some states such as Tanzania, Ethiopia among others in order to facilitate implementation (USAID, 2008). In general, on the global perspective, the most successful nations in terms of implementing the integrated financial management systems are those from the developed economies, and consequently they have reported reduction in corruption and promotion of effective service delivery (USAID, 2008).

The majority of developing countries heavily depend on external resources and donor funding in order to implement most of their projects (Republic of Kenya, 2015). In some of the poorest countries, such as Burundi or Sierra Leone, development aid amounts to more than 30% of gross national income (World Bank, 2009). The rationale for considering aid in implementing integrated financial management information systems in anti-poverty programs is that it might have positive effects on the economic development (Jason, 2013). Information systems bring the government closer to the MDG’s and the global goals of poverty eradication, improved living standards of people and administration efficiency (Bartel, 2009). This increase in efficiency contributes to economic growth, in particular in an economy with heterogeneous regions (Dorotisnky, 2003). The efficiency argument also plays an important role in the case of aid assignment (Jane, 2012).

In Africa, IFMIS adoption has been witnessed in some countries through aid from foreign nations and efforts have been put to promote the adoption and ensure that resistance is discouraged (Esther, 2008). For instance, a good example of an African country that has implemented this system and reported greater success is South Africa (Haruna and Doorgapersad, 2016). Over the years, there has been an introduction of the Integrated Financial Management Information System (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 (Diamond and Khemani, 2006).

The scope and functionality of an IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Vitkovic and Kopanyi, 2013). Nevertheless, IFMIS in South Africa forms part of the broader financial management reforms of the South African government, which started in 1994 with the institutionalization of democracy in South Africa (Asselin and Srivastara, 2009). The reform process was executed in four phases. The first phase which occurred for four years (1994–1998) entailed the introduction of Medium-Term Expenditure Frameworks and a new classification system compatible with Government Financial Statistics (GFS). The second phase (1999-2002) was majorly characterized by the introduction of improved economic classifications by the Accounting Standards Board (ASB). During the third phase (2003–2006), the South African government introduced a framework for Public Private Partnerships (PPP) and additional frameworks and policies were also provided in areas such as the Supply Chain Management (SCM) among others (Asselin and Srivastara, 2009). In addition, an extensive risk management framework was also developed, whilst the latest phase began in 2007 with the commencement of the project for an IFMIS (Cangiano et al, 2013). In the long-run, South Africa became among the African nations that had IFMIS systems running in most of the public institutions from the onset of the fourth phase, with great successes being reported in later stages despite the implementation challenges that were evident (Noah, 2015).

In Kenya, IFMIS became a necessary government project due to technological advancement, economic trends and partly due to donor pressures (Noah, 2015). Among other further contributing factors include the devolved governance systems, which have
not only devolved resources to the county governments but also high levels of corruption (GoK on IFMIS, 2011). Despite the fact that financial information recording is not a new phenomenon, the sophisticated nature of businesses which is a result of complexity in data management created the need to find solutions to manage data and scrutinize transactions more importantly in the lending industry (Shah, 2007). The adoption of financial management systems in screening borrowers and on credit rating became the beginning of introducing integrated financial management information systems in the country (Jane, 2012). Eventually, the need further spilled over to government institutions with an objective of improving service delivery, curbing corruption, and digitalizing processes to improve accessibility to services (Noah, 2015). It was also further aimed at reducing time taken to follow and monitor transactions, and above all to realign strategies towards the county’s vision 2030 (Fidelino and Minassian, 2010). The IFMIS adoption has been widely implemented in many government organizations such as the Kenya Revenue Authority (KRA), Kenya Ports Authority (KPA), Kenya Pipeline Corporation (KPC), Agriculture Finance Corporation (AFC), including public universities and many other state corporations.

According to Transparency International Kenya (2013), in Corruption Perceptions Index 2012 Kenya is ranked 139th out of 176 countries for corruption. However, the country scores 49 out of 100 in the 2010 Open Budget Index, which indicates that the government provides some information to the public, but this is insufficient for citizens to fully, hold the government accountable for its management of public resources (Naomi, 2014). Due to this struggles with corruption, the use of IFMIS and its inception was so far a new wake for the Kenyans who had high expectations of having a corruption free state, much as the efforts are yet to fully bear fruits (Dener and Min, 2013). Nevertheless, the growth of
information technology has transformed the way business is conducted and the internet has revolutionized the way organizations transact externally (Great Britain, 2013).

IFMIS and supply chain management have been promoted as core components of public financial and public procurement reforms in Kenya and in many developing countries (Noah, 2015). Procurement being a major expenditure function, IFMIS in supply chain management has been advocated to bring about efficiency and effectiveness in the procurement processes (Fund, 2009). In Kenya, all government institutions are required to implement IFMIS and ensure that all financial management activities including procurement are carried out through the system in order to foster integrated efforts of achieving the expected goals and results (Moses and Solomon, 2016).

On the global context, Public Financial Management (PFM) is an essential part of the development process (John and Eva, 2014). Sound PFM ensures accountability and efficiency in the management of public resources, which are critical to the achievement of public policy objectives, including achievement of the Millennium Development Goals (MDGs) (Ingraham, 2007). In recent years, the World Bank has greatly expanded the attention it pays to PFM in client countries, and PFM has become one of the most prominent issues in the broader donor harmonization initiative (Jane, 2012). Support to global PFM reform programs has increased through both investment and adjustment lending, as well as through the Institutional Development Fund (IDF) grant program (Bertok, 2012). Project- and country-level analytic work has increased, and now underpins all lending operations (John and Ambrose, 2015).

In the 2005 Paris Declaration, as part of a global effort to make development aid more effective, partner countries committed to strengthening their national systems, while donors committed to using these systems to the maximum extent possible (Julias and
Kalundu, 2014). At the Third High Level Forum on Aid Effectiveness, held in Accra, Ghana in 2008, both partner countries and donors agreed to accelerate and deepen their commitments, given the evidence that, although some progress had been achieved in strengthening country systems, less progress had been made toward advancing the use of country public financial management (PFM) systems by donors, with only 45% of external financing (disbursements) being channelled through country PFM systems in the countries surveyed in 2008. Despite the mutual efforts and commitments by different stakeholders in ensuring that effective public financial management is achieved globally, individual states have made tremendous progress in ensuring that some of the objectives are made to conform to the global requirements (Noah, 2015).

Globally, the development of the Guidelines for Public Financial Management Reform can be traced to the report of the Secretary-General prepared by a team of high level experts on how democracy and development can be promoted in Commonwealth countries (Ann, 2012). The report emphasised “at the heart of democratic pro-poor development lies the process of government revenue and expenditure, that a sound and accountable system for drawing up budgets, implementing them and monitoring their impact is a key instrument for promoting pro-poor development and democracy and for building stable, cohesive societies”. The Commonwealth Heads of Government Declaration in Abuja 2003, consequently provided direction by committing themselves to institutionalise transparent and accountable public financial management systems in member countries (DuBrin, 2009). The Governance and Institutional Development Division (GIDD), which is driving the mandate, adopted a two-tier strategy to carry out the assignment (Casals, 2009).

Through collaboration with the Economic Affairs Division (EAD), GIDD contracted Genesis Analytics of South Africa, to conduct a study on the South African public financial management reform system and to draw up a discussion paper that will form the basis for
broader consultation and discussion for the development of public financial management guidelines (Jane, 2012). Following submission of the paper, a brainstorming workshop was held at Marlborough House on 20th and 21st June 2005 that attracted broader consultations and discussions (Dener and Min, 2013). Participants to the workshop were drawn from senior finance officers and consultants from ten Commonwealth countries plus representatives from the United Kingdom Department for International Development (DFID), the World Bank, the Organization for Economic Co-operation and Development (OECD), Genesis Analytics and the Commonwealth Secretariat (USAID, 2008). The outcome of that workshop presents a comprehensive set of guidelines to assist developing countries to improve public financial management (Fredrick, 2008). The Guidelines are contained in this publication which recognises that no single solution can be universally applied (Garson, 2007). However, it sets out universally accepted principles, best practices and processes that can be adopted in the process of reform. In preparing the Guidelines, care was taken to create a document that can be easily used by researchers and development practitioners in developing countries (USAID, 2008).

Generally, Africa countries have been on the forefront with intentions of upgrading their public financial management practices in order to match up with international standards (Jane, 2012). Various problems have been raised in different countries ranging from poor administration and management of public finances, misappropriation and corruption (Campos and Pradhan, 2007). Poverty has been at the centre of all these discussions as development has not only become difficult, but living standards also worsening in different parts (Robinson, 2007). Donor funding has consequently come in handy to help the situation but objectives have not been met fully across the board (Ann, 2012).

In Kenya, issues are not different either. Public finance being the management of resources which belong to the public, it has attracted many interested parties and stakeholders in term
of how funds should be managed and by what authority (GoK on IFMIS, 2011). The Kenyan constitution has clearly outlined different roles and responsibilities of relevant authorities in the management of public funds but still much is yet to be achieved in ensuring fairness/equity, proper uses of public resources, equal distribution of resources without biasness based on political affiliations, ethnicity, religious boundaries, and social class (Laws of Kenya, 2012).

Ideally, Kenya’s new Constitution has introduced fundamental changes in the management of public finance, changes that unfortunately received little attention prior to the referendum and the subsequent promulgation of the Constitution (Laws of Kenya, 2012). Kenyans need to appreciate that public finance affects how power and influence are shared among key players and affects their daily lives. Indeed, Kenyans need to appreciate that in public finance nothing is free. Every benefit must be paid for by somebody, either in the form of taxes or debts. Moreover, Kenya needs to build new institutional and administrative structures to manage public finance, and the new Constitution presents this opportunity (Noah, 2015).

Public finance is critical to relations between the governed and the governors because without resources, nothing gets done (Dion, 2013). Finance gives meaning to powers and lies at the heart of the political and institutional structures of every nation. Indeed, taxation and the use of public funds shaped politics and institutional structures of leading democracies, like the United Kingdom (UK) and the United States of America (USA) (USAID, 2008). Strong sentiments continue to arise from the imposition of taxes and how the money raised is allocated and used. The choice of taxes to be imposed and who decides how mobilized resources are to be used still play critical roles in 21st century politics and generate debate irrespective of the ideology of the ruling elite in Kenya (Moses and Solomon, 2016).
The introduction of Integrated Financial Management Systems (IFMIS) on the global scale has become a core component of financial reforms to promote efficiency, security of data management and comprehensive financial reporting in all nations (Noah, 2015). IFMIS provide an integrated computerised financial package to enhance the effectiveness and transparency of public resource management by computerising the budget management and accounting system for a government. It consists of several core sub-systems which plan, process and report on the use of public resources (Moses and Solomon, 2016). The scope and functionality of IFMIS can vary across countries, but sub-systems normally include accounting, budgeting, cash management, debt management and related core treasury systems. In addition to these core subsystems, some countries have chosen to expand their IFMIS with non-core sub-systems such as tax administration, procurement management, asset management, human resource and pay roll systems, pension and social security systems and other possible areas seen as supporting the core modules (John and Ambrose, 2015).

The scale of IFMIS may also vary and be limited to specific country-level institutions such as the Ministry of Finance (Mohammed, 2007). However, IFMIS is generally meant to be used as a common system across government institutions, including in the more ambitious schemes for federal, state and local governments. The integration of IFMIS across the board ensures that all users adhere to common standards, rules and procedures, with the view to reducing risks of mismanagement of public resources (Ann, 2012).

There are a number of ways in which IFMIS can improve public finance management in Kenya, but generally IFMIS seek to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information (GoK on IFMIS, 2011). They seek to improve budget planning and execution by providing timely and accurate data for budget management and decision making. IFMIS allow a more
standardised and realistic budget formulation across government, while promoting better control over budget execution through the full integration of budget execution data (Moses and Solomon, 2016). They also allow for the decentralisation of financial functions and processes under the overall control of the Ministry of Finance, force financial discipline, decrease operating costs by reducing administrative tasks and civil servants’ workload (Noah, 2015).

In addition, IFMIS also seek to strengthen the efficiency of financial controls by making comprehensive, reliable and timely financial information available to the Auditor General, parliament, investigative and prosecutorial agencies, etc., as they improve accounting, recording and reporting practices through the provision of timely and accurate financial data, a standardised integrated financial management reporting system and an upgraded computerised accounting system (Naomi, 2014). When they work well, they make bank reconciliation automatic and allow a closer monitoring of outstanding bills and cash in bank accounts (Julias and Kalundu, 2014).

The introduction of IFMIS involves more than the simple automation of public finance tasks and processes. IFMIS imply both efficiency reforms and reforms that change existing procedures (USAID, 2008). They should therefore be seen as an organisational reform which deeply affects work processes and institutional arrangements governing the management of public finance. Failure to undertake parallel reforms required by IFMIS is one of the reasons that often impede successful implementation (USAID, 2008). A USAID practical guide on IFMIS implementation published in 2008 identifies a series of issues that commonly accompany IFMIS reforms which include; the legal framework, business processes, budget and accounting structures, and centralised treasury operations (USAID, 2008).
In Kenya, state corporations are mandated by the constitution to undertake government functions in different areas of responsibility (Laws of Kenya, 2012). Fundamentally, in Kenya, as in most of sub-Saharan Africa, a major portion of investment is channeled through government owned corporations, called Parastatals (Noah, 2015). In spite of the fact that the public sector plays a very important role in economic development of any country including Kenya, the governance and management of the departments, corporations and Parastatals that constitutes this sector have left many questions begging for answers. Recent survey by the Auditor general in Kenya showed that there is a wide gap between the finances received by state corporations and the results provided as to how this finance had been used (Moses and Solomon, 2016). For instance, the audit of the financial statements for the year ended 30 June (2012) indicated that out of the 252 financial statements audited; only 6% had a clean (unqualified) audit reports while 51%, 10% and 33% had qualified, adverse and disclaimer of opinion reports respectively (Transparency International, 2013). Parastatals just like any other public entities are established and run using the tax-payers’ money. As such, therefore, taxpayers have a right to demand prudential management of finances in the public sector. Against this backdrop, the management of finances in the public sector is more often than not questionable (John and Ambrose, 2015).

Sometimes recently issues have been raised by different groups of activists including political opponents to the government concerning massive corruption dealings, however all these claims lack clarity and evidential facts such as those related to the Eurobond funds (Esther, 2008). Ideally, these allegations are as a result of poor adoption of IFMIS which is supposed to enhance transparency, and as such any people who may be unsatisfied on how public finances are used, can easily be given reports to study which should be generated from systems as and when they are required without any doubt of doctoring the
accounts (Ann, 2012). Historically, the public sector faced capacity constraints compounded by inadequate information processes and systems. In addition, non-compliance with internal controls had led to poor predictability of government expenditure and a lack of analytical capacity (Mohammed, 2007). Similar to other African countries, the public sector also struggled to attract qualified professional accountants to the sector. In Kenya, the level of accountability among public officials in the management of public affairs had consistently declined since independence (Knudsen & Vogd, 2015). The rate of annual economic growth of the country had generally declined over the period. Management of public finances is absolutely crucial to improving the quality of public service outcomes (John and Eva, 2014). It affects how funding is used to address national and local priorities, the availability of resources for investment and cost-effectiveness of public services. Parastatal organizations according to ECSAFA (2004) have been established with financial resources from tax-payers. Strong financial management provides the platform for three of the five building blocks (or criteria) that underpin our decentralised model of the public management system (Bartel, 2009). These three are accountability, effective assessment of performance, and adequate information flows the other two being the freedom to manage and clarity of objectives.

1.2 Statement of the Problem

Public financial management has been a major cause of disputes in Kenya among many groups of people with divergent interests (Noah, 2015). Management of funds is one of the most sensitive issues of governance especially in a country where corruption is actually a national disaster (Transparency International, 2013). Problems of financial misappropriation, embezzlement, and lack of transparency have trickled down right form the national government to the devolved governments where the problem has even escalated further (Fredrick, Peninah and Sarah, 2014). The efforts of implementing IFMIS
practices have however proved futile due to political challenges, technical challenges and human resources requirements (Noah, 2015). Due to these hinges, the public finance performance has deteriorated over time instead of improving across the years since the inception of the systems (Moses and Solomon, 2016). The worsening of public finance performance has not only triggered questions of integrity on the officers involved but also stirred up mixed reactions from the public on the effectiveness of systems and the people involved in government strategies (Naomi, 2014). Additionally, the resistance by other stakeholders in having the systems fully operational awakens the need to explore further the motives behind such moves (Noah, 2015).

Performance and finance management especially in public institutions is a key ingredient to the general administration of the functions of a government, as well as the welfare of the citizens in a country (John and Ambrose, 2015). Economic development and growth largely depends on how well the financial resources in a nation are committed towards goal attainment and strategy implementation and achievement (Esther, 2008). In Kenya, many institutions have been reported to be involved in financial scandals ranging from funds mismanagement to mega corruptions (Julias and Kalundu, 2014). Countries that have adopted integrated financial management information systems (IFMIS) have all undertaken this move with aims of improving transparency, reducing corruption and promoting efforts meant to alleviate poverty (USAID, 2008). However, in Kenya the results are yet to be achieved given the recent national scandals in some government institutions such as the National Youth Service (NYS) scandal that has been for a long time forming the headlines of the national news and answers related to it yet to be established (Janda & Kwak, 2016). Secondly, many other ministerial departments and institutions have been accused of fund misuse whose cases are yet to be completed including but not limited to the Police Service, National Hospital Insurance Fund (NHIF), Uchumi Kenya, Kenya
Coffee Board, judiciary and in many other institutions according to the Transparency International Report on Corruption Index of 2015. It is of great importance to note that these corruption cases are propagated by either individuals or groups of officers in the affected institutions with malicious intentions of benefiting at the expense of the public’s interests (Moses and Solomon, 2016). According to Kenya’s Overview of corruption and anti-corruption report of 2011 by Transparency International, the most affected sectors in Kenya by corruption include the police, land services, the judiciary, public procurement, public administration, and revenue administration among others (Moses and Solomon, 2016).

Due to these rampart problems in the public financial management, Kenya has been at the forefront among African countries that have sought to install systems aimed at improving the administration and management of public funds across all sectors of the government (Noah, 2015). The most widely platforms that are greatly in place are those helping in the procurement of goods and services in government offices, both national and county governments, and other financial related services such as payments and receipts (Noah, 2015). However, despite these strategies and commitments, financial management in government institutions continues to become upheaval task across the board, making the public to lose confidence in the way public funds are managed (Moses and Solomon, 2016). More critically, poor management of public funds does not only hinder economic growth and development, but also frustrates the efforts and goals of democracy in a state, a part from making the performance of these institutions to decline in general (Ann, 2012).

1.3 General Objective

The general objective of this study is to determine the effects of integrated finance management information systems (IFMIS) adoption in the performance of public financial management.
1.4 Specific Objectives

The study will be guided by the following specific objectives;

1.4.1 To determine how risk management enhanced by the adoption of IFMIS influences public finance management.

1.4.2 To determine how tracking mechanisms affects public finance management performance.

1.4.3 To determine how real-time reporting impacts public finance management performance.

1.4.4 To determine how optimal resource allocation promotes public finance management in state corporations.

1.5 Significance of the study

1.5.1 To Public Institutions

This study will help in identifying the effective financial performance framework that will be more applicable to public institutions. This may contribute to the successful implementation of policy and tactical decisions that may help the government to sustain adequate strategies that will facilitate financial security and reliability of the systems in use. The study will also help identify critical success factors that drive performance in public institutions, this information can then be used for focusing governmental organisations’ resources for the optimization of performance.

1.5.2 To the Government

The study will also highlight any challenges that may be uniquely relevant in the implementation and use of Integrated Financial Management Information Systems (IFMIS) and how such factors could be different from those identified by other studies.
Identification of these factors would help governments to assess their situations as far as the existence and dominance of these factors is concerned. Proactive interventions against these barriers could enhance the chances of successful implementation of strategies to steer the institutions towards gaining reliability and adequate financial management. Further, the study will be significant to various stakeholders in government institutions including county governments in determining whether the implementation of IFMIS is worthy undertaking in curbing corruption vices and other challenges that public institutions face.

1.6 Scope of the Study

The study will focus on the performance of financial management of public institutions taking KPLC as a case study, based on the implementation of Integrated Financial Management Information System (IFMIS). For this purpose, the study will be concerned with Performance Measurement (PM) which is the process of collecting, monitoring and analysing information related to public institutions’ activities with the aim of achieving particular goals and objectives. The study’s scope will therefore be focused on one corporation which is KPLC (Kenya Power and Lighting Company) by interviewing 260 employees as the study’s sample.

1.7 Definition of Terms

1.7.1 Risk Management: - Risk management is the process of identification, analysis and acceptance or mitigation of uncertainty in financial management. Essentially, risk management occurs any time a person or investor or fund manager analyses and attempts to quantify the potential for losses in financial operations or in an investment and then takes the appropriate action given the project’s objectives and risk tolerance (Rael, 2012).
1.7.2 Tracking mechanism: - It is the act or process of following something and in this context used to refer to the monitoring process of public financial management practices using an effective financial management system (Paolis and Mongelli, 2014).

1.7.3 Integrated System: - System integration is defined as the process of bringing together the component subsystems into one system and ensuring that the subsystems function together as a system (Vinay, 2008).

1.7.4 Real time reporting: - is used in a variety of industries, including entertainment, television, the Internet, and finance as a mechanism to provide instant transcripts on computer screens as a trial or deposition occurs (Brooks, 2017).

1.7.5 Optimal Resource allocation: Analysis of how scarce resources are distributed among producers, and how scarce goods and services are apportioned among consumers. This analysis takes into consideration the accounting cost, economic cost, opportunity cost, and other costs of resources and goods and services (Ushakov, 2013).

1.7.6 Public Finance Management: Used to refer to the uses and utilization of resources that the publics have interest in (Cangiano et al., 2013).

1.8 Chapter Summary

Chapter one has presented the introduction and background information to the study. Specifically, it has explained the context of Integrated Financial Management Systems globally, regionally and locally. Further, efforts have been made to present the study’s main problem statement, objectives, significance and scope respectively in addition to definition of key terms. The second chapter will provide a detailed review of literature, in which case each research question has been specifically focused independently.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the effects of IFMIS practices in public finance management performance. This chapter will develop an empirical literature review that will help to link each of the study variables to the research questions. A critical review will also be discussed and the study review will identify research gaps. In this section, a presentation is given on a review of previous studies on the effects of IFMIS practices in public financial management performance. A greater focus is put on those studies carried out in Kenya, where the study was also carried out in order to establish any pertinent gaps for further studies. A review of previously documented studies is very important in helping the researcher to tailor the study in a way so as to address the issues that have previously been tackled, and also to help confirm to any results that have been found in previous studies.

2.2 Risk Management Practices

According to a study by Fredrick, Peninah and Sarah of Catholic University of East Africa on “integrated financial management information system and its effect on cash management in Eldoret West Treasury” in 2014, it is established that the scope and functionality of IFMS can vary across countries, but sub-systems normally include accounting, budgeting, cash management, debt management and related core treasury systems. In addition to these core subsystems, some countries have chosen to expand their IFMS with non-core sub-systems such as tax administration, procurement management, asset management, human resource and pay roll systems, pension and social security systems and other possible areas seen as supporting the core modules. The scale of IFMS
may also vary and be limited to specific country-level institutions such as the Ministry of Finance.

However, IFMS is generally meant to be used as a common system across government institutions, including in the more ambitious schemes for federal, state and local governments. The integration of IFMS across the board ensures that all users adhere to common standards, rules and procedures, with the view to reducing risks of mismanagement of public resources. Fredrick et al (2014) argues that there are a number of ways in which IFMS can improve public finance management, but generally IFMS 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.

IFMS 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 (Fredrick et al., 2014). In addition, IFMS also seeks to strengthen the efficiency of financial controls by making comprehensive, reliable and timely financial information available to the Auditor General, parliament, investigative and prosecutorial agencies, etc., as they improve accounting, recording and reporting practices through the provision of timely and accurate financial data, standardized integrated financial management reporting system and an upgraded computerized accounting system. When they work well, they make bank reconciliation automatic and allow a closer monitoring of outstanding bills and cash in bank accounts.
Bartel (2009) argues that an IFMS is an information system that tracks financial events and summarizes financial information. In the private sector, such systems provide critical support for management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, IFMS systems must be designed to support distinctly public sector functions. They must be able to handle and communicate all the financial movements for the complex structure of budget organizations. The scale of the IFMS will also vary depending on whether its operation is limited to selected central-level institutions, such as the finance ministry and treasury, or is implemented more broadly, to include line ministries, their spending agencies, and even regional and local governments and municipalities. These variations will have implications far beyond the cost of hardware and software installation, Casals et al., (2004).

Diamond and Khemani (2008) further mention that all manner of reports can be generated; balance sheets, sources and uses of funds, cost reports, returns on investment, aging of receivables and payables, cash flow projections, budget variances, and performance reports of all types. Some systems have libraries consisting of hundreds of standard reports. 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).

Generally, Fredrick and his colleagues explain that the main objective of implementing 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 (Fredrick, Peninah and Sarah, 2014). According to these
authors, behind a successful adoption of IFMIS, a clear goal must be established in terms of risk management and as a result the knowledge inculcated among employees and other stakeholders that make use of the system which is ideally a product of information technology (IT). Apart from training the staff to mitigate the risks of underutilization there would be a need to disseminate general awareness of the functionality of the package. There are challenges associated with basic infrastructure issues such as remote connectivity and unreliable power supply that can not only cause damage to the hardware but also result in affecting its operations. However, when speaking about reliability of IFMIS, two sources for success are referenced.

Diamond and Khemani (2008) promote the use of a modular approach to IFMIS implementation, with the initial introduction of just the core functions of budget execution, accounting, payment processing, commitment control and financial reporting. Based on experience in Ethiopia, Peterson et al. (2008) argues that process change not process (innovation) re-engineering is the best method to improve the reliability of IFMIS. The consensus in the PFM community is that the modular approach is the best method. There does not appear to be a consensus on the nature of process engineering. It is our experience that process improvement can be accomplished as part of the modular approach. Reform processes require capacity building that can be enhanced through modular implementation followed by progressive activation which later improves on IFMIS reliability.

According to Githinji (2013), Financial Risk management is as a set of financial activities that maximizes the performance of a bank by reducing costs associated with the cash flow volatility. The manager’s behavior toward risk (risk appetite and risk aversion) and corporate governance can affect the choice of risk management activities. The author further notes that a robust risk management framework can help banks to reduce their exposure to risks, and enhance their ability to compete in the market. Today, banks
financial risk management is one of the most important key functions in banking operations as commercial banks are in the risk business. Githinji (2013) also notes that in today’s dynamic environment, all banks are exposed to a large number of risks such as credit risk, liquidity risk, foreign exchange risk, market risk and interest rate risk, among others; the risks which may create some source of threat for a bank's survival and success. The study by author is very relevant in explaining the meaning of risk management, but its main limitation is that it focused on banks as opposed to government corporations which is being focused in this study.

Another researcher indicated that financial risk management is the quality control of finance. It is a broad term used for different senses for different businesses or things but basically it involves identification, analyzing, and taking measures to reduce or eliminate the exposures to loss by an organization or individual (Muteti, 2012). Different authors have offered reasons why managers should concern themselves with the active management of risks in their organizations. The main aim of management of banks is to maximize expected profits taking into account its variability/volatility (financial risk). Financial risk management is pursued because banks want to avoid low profits which force them to seek external investment opportunities (Muteti, 2012). When this happens, it results in suboptimal investments and hence lower shareholders’ value since the cost of such external finance is higher than the internal funds due to capital market imperfections.

While focusing on enterprise risk management practices and the relationship they have with financial performance among state corporations in Kenya, Kimotho (2015) noted that Governments have established State Corporations (SCs) to enhance sustainable economic growth by developing and promoting key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. SCs therefore play a major role in economic growth and development through supporting the
development of vibrant public and private sectors in developing countries. They invest in sustainable projects; maximize impacts on development; remain financially viable in the long term; and mobilize private sector capital. Some SCs provide finance (e.g. loans, guarantees, equity investment) to the public sector or to the private sector (Kimotho, 2015).

In the execution of their mandate, SCs have no way of avoiding risk without giving up their core function. To achieve their goals, SCs must learn how to manage risk intelligently by identifying risks early, expecting the unexpected and knowing which risks are worth taking and which to avoid (Kimotho, 2015). The SCs are embracing an all-encompassing risk management concept that has gained substantial acceptance in the recent years, the Enterprise Risk Management (ERM). ERM is the management of operational and financial risks simultaneously in order to maximize the cost effectiveness of risk management within the constraints of the organization’s risk tolerance (Kimotho, 2015).

Much of the work in automating PFM systems has focused on implementing an integrated financial management information system, including general ledger, accounts payable, accounts receivable, procurement, payroll, asset management, debt management, budgeting, etc. This approach might be too large to implement effectively, in a timely fashion, or to achieve results and has in many countries hampered overall IFMIS reliability (Asselin and Srivastava 2009). It is better to think of automating some core part of the system, such as general ledger, and accounts payable and receivable, with an eye to adding-on or replacing the system within a few years (Armstrong, 2009).

**2.3 Financial Tracking System**

According to another study by John and Eva (2014) on “the factors influencing the implementation of IFMIS in the Kenyan government ministries”, they argue that in Kenya, the experience of the design, development and pilot implementation of the IFMIS has not
been satisfying. In the design of IFMIS, the existing manual budget execution and accountability processes seem to have been automated to a large extent without consideration of whether there was a better and more efficient method of achieving the required results. The Government of Kenya has experienced problems with the new managers hired by the Government. The overarching concern being local capacity and know-how has always been and is still the major issue.

A study by Jean in 2017 on IFMIS noted that Governments in developing countries are increasingly exploring methods and systems to modernize 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 (Jean, 2017). The scope and functionality of an IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Jean, 2017).

As a result, 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 (Jean, 2017). 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 (Jean, 2017). Financial performance is concerned with the ethical conduct with which public institutions carry themselves while handling public finances.

There is broad agreement that a fully functioning IFMIS can improve governance by providing financial information that financial and other managers can use to administer
programs effectively, formulate budgets, and manage resources. Sound IFMIS systems, fixed with the adoption of centralized treasury operations, can not only help developing country governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud (Jean, 2017). Basically, IFMIS refers to computerization of public expenditure management processes including budget formulation, budget implementation and accounting with the help of a fully integrated system for financial management of the line ministries and other spending agencies. The study further 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 (Jean, 2017).

The Public sector and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy (Njeri, 2016). When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation’s development process. Many developing countries, however, continue to suffer from unsatisfactory and often dysfunctional governance systems that include rent seeking and malfeasance, inappropriate allocation of resources, inefficient revenue systems, and weak delivery of vital public services, partly because of the inappropriate systems used in overall financial management and tracking (Njeri, 2016).

In most countries today there are increasing expectations from ordinary citizens, business leaders and Civil Society that Governments will establish and deliver higher standards of ethicality and integrity in the Civil Service, agencies of government (Ministries and parastatals), and Government itself (Bosire, 2016). The author identifies that most modern civil service ethics laws endorse minimum set of principles, the core of which are; that civil servants and public officials are expected to maintain and strengthen the public's trust
and confidence in government, by demonstrating the highest standards of professional competence, efficiency and effectiveness, upholding the Constitution and the laws, and seeking to advance the public good at all times; and secondly, that civil servants and public officials are expected to make decisions and act solely in the public interest, without consideration of their private interests (Bosire, 2016).

In Kenya, there is a vocal consensus that combating corruption is one of the country’s most critical governance and development challenges. Various international assessments continue to rank Kenya as one of the most corrupt countries in the world and Kenyans themselves cite corruption as an issue of major concern for them (Bosire, 2016). The results of these developments are that within all parts of the public sector there is now a very strong emphasis placed on matters such as probity, accountability and avoidance of fraud. One of the key priorities of the Kenya Government is to implement and institutionalize public sector reforms that would lead to an efficient, effective and ethical delivery of services to the citizens (Bosire, 2016). In 2003, the government of Kenya began implementing reforms to address inefficiency in the use of public resources and weak institutions of governance. Such reforms included the Government Financial Management Act which was to provide for the management of government financial affairs, to make certain provisions with respect to the exchequer account and the Consolidated Fund, to provide for persons to be responsible for government resources and to provide for other related matters.

Later when the new constitution was promulgated, financial probity was enshrined in the constitution of Kenya 2010 under chapter six which spells out matters of integrity and leadership of state officers (Bosire, 2016). In section 76 which addresses questions of probity, it states; (1) a gift or donation to a State officer on a public or official occasion is a gift or donation to the Republic and shall be delivered to the State unless exempted under
an Act of Parliament; (2) a state officer shall not- (a) maintain a bank account outside
Kenya except in accordance with an Act of Parliament; or (b) seek or accept a personal
loan or benefit in circumstances that compromise the integrity of the State officer.

In the context of a financial environment, financial probity is about the ethical, lawful,
prudent, effective and transparent conduct of financial transactions and of processes that
ensure that all such transactions and procedures are supported as appropriate by a robust
risk management strategy (Bosire, 2016). Public money is considered to have been
inappropriately managed or spent on instances of unauthorized expenditure, fruitless and
wasteful expenses, and/or irregular expenditure are present (Njeri, 2016). Unauthorized
expenditure refers to overspending and/or spending that is not in accordance with the
mandated purpose of appropriated funds. Fruitless and wasteful expenditure refers to
unnecessary expenditure that should have been avoided if reasonable care had been
exercised while irregular expenditure refers to authorized expenditure that happens to be
in contravention of other applicable legislation (Bosire, 2016).

Having sound financial management and reporting in the public sector is an important
contributor in achieving greater transparency, accountability, fiscal responsibility and,
therefore, improved governance (Bosire, 2016). Government officials and elected leaders
have increasingly come to realize that public agencies must utilize ICT in order to enhance
the business processes in the public sector (Njeri, 2016). This is achieved through
electronic transaction processing, which is the processing of business transactions by
computers connected by computer networks. Electronically processed transactions have
become a cost-effective, speedy, and reliable method of conducting business in the public
sector that enhances reliable tracking of financial transactions across many institutions
(Bosire, 2016).
An IFMIS generally implies fundamental changes in operating procedures and should be preceded by a detailed functional analysis of processes, procedures, user profiles and requirements that the system will support (Njeri, 2016). Key high-level government goals will only be achieved if the IFMIS solution supports a wide range of business processes that transcend functional, business, organisational and geographic boundaries. Automated payments, combined with sophisticated document management and identity management systems associated with IFMIS enable governments globally to improve efficiency, effectiveness, security, convenience, financial control and stakeholder confidence.

One of the major reform initiatives rolled out by the government of Kenya was the automation of public financial management processes through the establishment of IFMIS. According to Ministry of Finance, IFMIS was first launched in 2003 in Kenya and the IFMIS Re-engineering Strategic Plan (2011-2013) was launched in 2011 (Bosire, 2016). The Ministry of Finance defines IFMIS as an automated system that interlinks planning, budgeting, expenditure management and control, accounting, audit and reporting. It is intended to ensure a higher degree of data quality, improve workforce performance for improved business results and link planning, policy objectives and budget allocations. It is also intended to enhance reporting capabilities to support budget planning, automate the procurement process such as requisition, tendering, contract award and payment. Further, it is also intended to facilitate auto-reconciliation of revenue and payment, automated revenue collections and automated bank reconciliation (Bosire, 2016).

A fast review of the system conducted by the AG in Kenya with the help of an outside expert in July 2004, revealed a number of problems with the functionality of the system resulting into the delay of the roll out. In general, the implementation phase has not progressed well primarily because of clearly limited involvement and some neglect of the system by the main players including the ministry of finance, accountant general and pilot
ministries. There is need that introduction of an IFMIS be accompanied by strong commitments, sufficient manpower and financial resources, widespread internal support and an agenda for effective change management (World Bank, 2003). The conclusion from the World Bank and Department for International Development, indicate that only 21% of IFMIS projects were successful and that out of the 21% successful only 6% of the projects were considered sustainable (Dorotinsky, 2003).

2.4 Real-Time Reporting

Julias and Khalundu (2014) also conducted a study on the effects of integrated financial management information system on performance of public sector and found out that there are three major reasons why governments undertake IFMIS program mainly in the implementation process to integrate financial data since finance has its own set of revenue numbers. Procurement has another version and other different business units may each have their own versions of how much they contributed to revenue. An IFMIS creates a single version of the truth that cannot be challenged because everybody is using the same system (Norris & Wade, 2002).

To standardize the government financial accounting and budgeting process, computerized system for treasury management together with policy framework and institutional reforms must be implemented to the letter (Wamsteker, 1989). The implementation of financial systems requires consolidation and rapid compilation of large amounts of data across a set of financial offices and spending units dispersed across the company and the functional process associated with these systems are repetitive in nature and follow a prescribed set of rules. In such an environment the IFMIS provides government financial managers with a set of tools to consolidate compile and access reliable and timely financial information for decision making process (Joerges & Dehouse, 2002).
It also identifies unique operations to process government business transactions efficiently, apply necessary control and simultaneously gather timely and accurate financial information. Two aspects of this enhanced efficiency are particularly important, first the IFMIS makes it possible to integrate business transaction classification and posting with transaction processing (Neely, 2007). This means that as a transaction is processed e.g. as payment is made it can be simultaneously classified. Secondly, the system facilitates automation of many controls and procedures since as transaction is processed, the system can apply the necessary controls e.g. ensure that a proper budget allocation exists prior to making a commitment or approving a payment (Fidelino & Minassian, 2010). In these cases, the IFMIS would keep an appropriate audit trail that would include details regarding the authorization for the exception.

The IMF and the World Bank have been involved extensively in advising governments in developing policy and institutional budgeting and accounting set up and function in accordance with international practices (Giugale & Webb, 2000). These reforms are especially important in transition economics where the legal and institutional infrastructures need to be set up (Dziobek et al., 2011). Some of the key actions and policy reforms include development of comprehensive budget management law, adoption of budget classification system, consolidation of government bank accounts to Treasury Single Accounts (TSA) at the central bank, implementation of systems for detailed regulations covering TSA – based budget execution and enhancement of cash management units. With the rapid infusion of Information Technology in Kenya, organizations are now realizing the critical role that ICT pay in business financial management in all sectors.

Governments around the world have been engaged in the process of implementing a wide range of (ICT) applications. Countries have been classified by the United Nations according to their Computer Industry Development Potential (CIPD) as advanced or less
developed (Kimwele, 2011). Advanced include for example, the United States, Canada, West European countries and Japan; less developed include for example Argentina, Brazil, India, Mexico, Kenya and Bulgaria. For all countries, use of ICTs for government reinvention is increasing not only in investment but also in terms of visibility with a number of high-profile initiatives having been launched during the 1990s. This reinvention has taken place especially in the advanced countries. Western countries are convinced that the information society will result in economic and social benefits (Kimwele, 2011).

The government of Kenya 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 (Njeri, 2016). 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 (Kimwele, 2011). 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 (Kimwele, 2011).

This follows a growing interest in the quality of public sector financial management in developing countries by the Donor Community. In contrast, “during the cold war, aid was generous, but often doled out to political allies with few questions” (Bosire, 2016)). In the early years after the fall of the Berlin Wall in 1989, interest in the state was limited, but following the World Bank's Report, the role of the state has become increasingly prominent in development efforts, and particularly in the drive against poverty” (Kimwele, 2011). The new agenda recognized that, while there may be too much state intrusion in the economy, there was also often too little government capacity to make policy, perform basic administrative functions, work with private partners, and ensure the provision of
infrastructure and public services" (Bosire, 2016). In 2001, the Department for international Development issued its guide on public expenditure management which noted that in "recent years, there has been a dramatic surge of interest in public expenditure issues amongst governments, development agencies and the wider public" (Kimwele, 2011). This shift offers Africa a chance to leapfrog intermediate stages of development. As a result, consultants and other advisors of governments in Africa started toying with idea of the introduction of modem information technology –IFMIS as a means of ensuring that there is real time reporting across various governmental departments and organizations.

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 (Olabisi et al., 2017). 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. 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 Kenya government was contracted to oracle financials in 2003 (Olabisi et al., 2017).

Effectiveness and improved outcomes are important goals for any IFMIS acquisition. The objective of implementing an IFMIS system is to increase the effectiveness and efficiency of state financial management and facilitate the adoption of modern public expenditure management practices in keeping with International Public Statement of Accounting
Standard IPSAS (Olubisi et al., 2017). Information technology management is a combination of two branches of study; information technology and management. There are two incarnations to this definition. One implies the management of a collection of systems, infrastructure and information that resides on them. Another implies the management of information technologies as a business function (Njeri, 2016).

Information technology is the acquisition, processing, storage and dissemination of vocal pictorial, textual and numeric information by a microelectronics based combination of computing and telecommunications, effective use of information technology contributes to high level of effectiveness in execution of various organization functions (Olubisi et al., 2017). Information management system is therefore the combination of information, communication and system components with management approach to ensure effective information processing retrieval and communication in a systematic manner The integration of the information processing and management in a system is perceived as a useful technique of processing and maintaining data, controlling and communicating useful information in the manner that is needed (Bosire, 2016).

IFMIS are also implemented and used successfully almost all the time in the commercial world (Olubisi et al., 2017). The design and functionalizing government IFMIS is critically different from that of private enterprise systems because governments are not driven by profits but rather by measures of accountability, ensure compliance with budget laws, other public finance rules and regulations and an entirely different set of accounting rules and reporting requirements. They must be designed to support a multitude of distinctly public sector-oriented functions and organizational arrangement (Dorcas, 2014).
2.5 Optimal Resource Allocation

In the study by Chado (2015), it is revealed that IFMIS practices are suitable in enhancing optimal resource allocation within specific public institutions and among the parastatals by the central government. According to the author, allocation of resources is enhanced through internal control systems which 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 (Chado, 2015). Further, the author asserts that as a management tool IFMIS also enables management to do the following: control aggregate spending and the deficit, prioritize expenditure across policies, programs 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 (Chado, 2015).

A publication from the office of the Auditor General in Kenya on “effectiveness of IFMIS in public sector setting: conducted in in 2016 revealed that the systems was initially intended to achieve numerous advantages which include but not limited to; enable government reform, improve efficiency and controls, improve confidence through transparency, increase government revenue, reduce costs, and improve budgets, planning and decision-making (Kamenyi, 2016). Whether indeed the adoption of IFIMS has led to achievement of these goals and objectives is a matter of fact and needs an extensive inquiry into the matters while interrogating the applicability to the recent events in the countries of increased corruption in order to ascertain the reality of the matters.

In the government jurisdiction, IFMIS refers to the computerization of public financial management (PFM) 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 (Lundu, 2015). In Kenya, the National Treasury is charged with the responsibility of providing proper budgetary and expenditure management of government financial resources. In this regard, the ministry has been continually striving to improve financial management systems through various public financial sector reform programs, aimed at increasing transparency, accountability, as well as responsiveness of public financial resources to enhance the quantity and quality of public service delivery to meet its developing priorities.

Within the National Treasury, there is an IFMIS Department which has the mandate of designing, spearheading and managing the Integrated Financial Management Information System re-engineering process. The Integrated Financial Management Information System (IFMIS) was developed in 1998 while its deployment to ministries started in 2003. The deployment to the counties started in 2012. At present the intended users of the IFMIS system at the counties are being trained on the same as outlined in the Strategic Plan for GoK IFMIS (2011-2015). At present the system is being re-engineering with the aim of improving systems for management and reporting of financial data and information for the Government of Kenya (Lundu, 2015).

IFMIS implementation requirement in Kenya originated from the Ministry of Finance and Economic Planning ICT Master Plan 2001-2005 that highlighted the gaps and weaknesses within the Soft Issues Bid Evaluation Tool (SIBET) system that was currently being used. The plan recommended the development of different modules comprising of accounting, revenue management, asset management as well as the establishment of interfaces with the National Bank Payment Information System (NBPIS), Kenya Revenue Authority (KRA) and the Ministry of Labor for payroll and human resource management modules. Despite its introduction, IFMIS did not achieve its key objectives within the set timelines leading
to its re-engineering in 2011 (Lundu, 2015). IFMIS challenges can have a devastating effect on the success of the implementation and management and should not be underestimated.

The goals of implementing any IFMIS for Kenya included effectiveness, efficiency and improved outcomes in financial management processes. Specifically, IFMIS was geared towards achieving better fiscal management, more optimal resource allocation, improved management of resources, reduced fraud and corruption, improved transparency and accountability, lower transaction costs among others. The Kenyan government has embraced the use of IFMIS to execute effective financial management in the various government ministries and public institutions (Lundu, 2015).

Commercial State corporations in Kenya have traditionally been less competitive due to poor financial management characterized by: Poor system design and lacked critical functionality, controls, automated bank reconciliation, audit trails and systems documentation; Lack of system data checks and controls; Poor response time; Limited ability to generate reports; Weak access security; and Lack of remote access. Traditionally, financial management among state corporations aimed at avoiding wastage and extravagant spending, and especially, the loss of resources through possible fraud, irregularity or improper spending. But the rise of New Public Management, associated with neo-liberalism, has significantly reduced the emphasis given to public financial management regularity and probity (Wainaina, 2012).

Nevertheless, the world of financial management, and for a country to be developed, it must be built on an effective economy. Public financial management concerns the taxing and spending of government, which in turn influences resource allocation and income distribution. The spending portion covers the budget cycle, including budget preparation,
internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements. In the public institutions, financial management is one of the fields which must be developed in order to build the country’s economy and fighting the waste of resources. Public finances to be well managed, there must have a well-designed financial management system in order to achieve their objectives (Wainaina, 2012).

A study by Cherotich (2016) established that IFMIS is instrumental in enhancing fair distribution of resources across all the sections in a public entity. Distribution is usually not considered important in departments but also in regions which are spread across the country. While focusing on developing country governments the author elucidated that sound integrated financial management information systems (IFMIS) can not only help developing country governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud (Cherotich, 2016). Further, the author focused on county governments’ need to implement IFMIS citing the requirement to do so as required according to the financial Act. Specifically, the pointed out that county governments of Kenya have been required by the Public Financial Management (PFM) Act, 2012 to implement IFMIS since 2013 when they became operational, but the implementation process has so far been ineffective (Cherotich, 2016).

A similar study by Mwaura (2016) on” factors influencing the implementation of integrated financial management information system in devolved governments in Kenya” cited that indeed the need for accountability, reducing of corruption, and fair distribution of public resources are among the key forces behind the move into county governments. The researcher put more emphasis on the fact that, the growing adoption of ICT by governments worldwide is a testimony to its role as an effective tool for public service delivery. In Kenya, it has been adopted as one of the cornerstones of the government’s
strategy for making services accessible to its citizens. Consequently, various initiatives have been started and some already implemented with aim of automating the service delivery whereby the common citizen will access better services through automation of Government processes. Implementation of Integrated Financial Management Information System (IFMIS) project started in 2003 and it is being used in both national and county governments (Mwaura, 2016). In this case, fully adoption of IFMIS with goodwill and support from authorities can go a long way to support distribution of resources not only in parastatals but also in devolved governments as well (Mwaura, 2016).

2.6 Chapter Summary

This chapter has provided a review of previous studies on the topic and the formulation of a conceptual framework to aid the study. The previous chapter provided background information and the objectives of the study as well. The third chapter will cover the proposed study methodology that will be used to carry out this study. Specifically, it will highlight the research design to be used, population and sampling design, approaches of data collection and analysis and ethical considerations respectively.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that will be used in undertaking the study. The chapter begins by articulating the research design that will be adopted. According to Sekaran (2003), for a research to conduct studies successfully, the fundamental focus should be to develop an efficient research strategy. This chapter is organized to cover the sections on research design, population and sampling techniques, data collection instruments, pilot test, data processing and analysis, data reliability and validity and finally conclusion. Each of these sections is discussed in relation to research specific objectives and variables being tested.

3.2 Research Design

The research will adopt a descriptive research design. Research design is the plan, structure of investigation conceived so as to obtain answer to research questions and to control variance (Wiersma and Jurs, 2009). Sekaran (2003) argues that a research design can either be exploratory, descriptive, experimental or hypothesis testing, a position that is supported by Creswell (2013). According to Bryman and Bell (2003), research design is also defined as a framework for the collection and analysis of data that is suited to the research questions. Orodho (2003) defines research design as the scheme, outline or plan that is used to generate answers to research problems. Jacobs (2009) and Creswell (2013) indicate that a descriptive research answers research questions who, what, where, when and how. The purpose of employing this method is to describe the nature of the situation as it exists at the time of the study and to explore the cause(s) of a particular phenomenon (Leary, 2001).
3.3 Population and Sampling Design

Castillo (2009), Hydman (2008) and Agarwal (2009) defined population as a large collection of individuals or objects that are the main focus of a study and has similar characteristics.

3.3.1 Target Population

Target population is the entire set of units for which the study data will be used to make inferences (Nachmias and Nachmias, 2003). Target population defines those units for which the findings of the survey are meant to generalize (Gall et al, 2007). This study’s target population is the Kenya Power and Lighting Company. The institution includes 71 regional branches from which a sample will be derived and focus put on the employees as shown in the table below;

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Kenya Power and Lighting Company</th>
<th>Population (Regional Branches)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Branches</td>
<td>71</td>
</tr>
</tbody>
</table>

Source; Kenya Power Website

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Zikmund, Babin, Carr and Griffin (2010), Scott and Wild, (1986), sampling is described as a selection of a subset of individuals from within a population of making predictions based on statistical inference. A sample is a true representative of the entire population to be studied (Leary, 2001). Kothari (2004) and Dattalo (2013) advocates that good sample should be truly representative of the population, result in a small sampling
error, viable, economical and systematic. Ader, Mellenbergh and Hand (2008) also state that the advantage of sampling is cost, speed, accuracy and quality of data.

The sampling process comprises of defining the population, sampling frame, sampling method, sample size and sample plan. A sampling frame is a list of population from which a sample will be drawn (Leary, 2001). Bailey (2008) argues that the sampling frame facilitate formation of a sampling unit that refers to one member of a set of entities being studied which is the material source of the random variable. Kothari (2004) further described sample size as the number of items to be selected from the universe to constitute a sample. Different authorities give different parameters on the sample size for example Schewarz and Sudman (1995) recommends a minimum of 100 in survey research, Gall et all (2007) recommends a minimum of 15 in experimental research and 30 in correlation research.

3.3.2.2 Sampling Technique

Sampling technique can either be probabilistic or non-probabilistic (Gall et al, 2007). In probabilistic sampling every unit in the population has a chance of being selected in the sample and this probability can accurately be determined. The method can be; simple random, systematic, and stratified and multi stage sampling. Non-probabilistic sampling is where some elements of the population have no chance of selection or their probability of selection cannot be adequately determined. Gall et al (2007) highlights that stratified sampling is used when the population has different characteristics thus to ensure that all get equal chances, the population is sub-divided into strata before using simple random sampling to get a sample from each stratum. In line with Mugenda and Mugenda (2003), statistical technique for selecting a sample will be adopted as a model for a sample in this study. Based on distance and time, the researcher chose to concentrate on 4 branches out
of the 71 by considering 260 employees in each of the 4 branches. The model for selecting a sample from a population of less than ten thousand like in this case is derived as follows:

\[ n = \frac{N}{1 + N \alpha^2} \]

Where; \( n \) = is the sample size

\( N \) = Population

\( \alpha \) = Margin of error

Using a confidence level of 95% and a population of more than 10,000 employees of KPLC, the sample size is calculated as offered below.

**3.3.2.3 Sampling Size**

Sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. As such the sample for this study can be derived as follows;

\[ n = \frac{10,000}{1 + 10,000 (0.05)^2} = 384 \]

Target population in this study is 1040 which is less than 10,000, thus the sample of 384 can be adjusted using the formula below (Mugenda and Mugenda, 2003).

\[ N_f = \frac{n}{1 + n/N} = \frac{384}{1 + 384/797} = 259 \]
Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Branch</th>
<th>Sampled Population</th>
<th>Sample Proportion</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi Branch</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
</tr>
<tr>
<td>Limuru Branch</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
</tr>
<tr>
<td>Kiambu Branch</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
</tr>
<tr>
<td>Machakos Branch</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1040</strong></td>
<td><strong>1.00</strong></td>
<td><strong>260</strong></td>
</tr>
</tbody>
</table>

Source: (Author 2017)

3.4 Data Collection Procedure

The study will use a structured questionnaire that will be directed to the randomly identified employees. The questionnaire will aim at collecting data on the dimensions of internal and external factors that affect performance as well as on the perceptions on the devolved governance system in Kenya, specifically in areas sampled. Both open ended and closed ended questions will be used to collect data.

3.5 Pilot Study

A pilot test should constitute at least 10% of the sample (Cooper and Schilder, 2011). The pilot test is conducted to detect weaknesses in design and instrument as well as proxy data for selection of a probability sample (Cooper and Schilder, 2011). A pilot study is a small-scale research project that collects data from respondents similar to those that will be used in the full study (Zikmund, Babin, Carr and Griffin, 2010). Mugenda and Mugenda (2003) states that it is always desirable if possible to conduct a pilot study before administering questionnaire to the sample. This is done to obtain feedback, to check that the questionnaire
is effective and well understood by respondents. Kit serves as a guide for a larger study or examines specific aspects of the research to see if the selected procedures will actually work as intended by increasing response rates, reducing missing data and obtaining more valid responses. In this research, 20 respondents will be given the questionnaire to facilitate the testing for their validity and reliability. The subjects participating in the pilot study shall not be included in the final study so as to avoid survey fatigue (Mugenda and Mugenda, 2003).

3.6 Reliability

Reliability refers to the extent in which the data collection techniques and the analysis of data will or should yield similar findings if undertaken by other observers or researchers. The measurement of reliability ideally provides consistency in the measurement of variables using Cronbach’s alpha as the basic formula for determining the reliability based on the internal consistency (Manueli and Kemibaro, 2012). The standard minimum value of alpha is 0.7 which is recommended by Nunnaly (2014). Constructs that will be used in this research will be tested for internal consistency in which case values greater than 0.7 indicate presence of a strong internal consistency of the measurement.

3.7 Data Analysis

Data analysis is the practice in which raw data is ordered and organized so that useful information can be extracted from it (Saunders, Lewis and Thornbill, 2009). The primary data obtained from the questionnaire will be checked for omissions, legibility and consistency before being coded for analysis. Data will be analysed using SPSS (Statistical Package for Social Sciences), which will be employed in organizing, coding and analysis of information to produce quantitative report. Neumann (2009) indicates its main advantage as including many ways to manipulate data and containing most statistical
measures. This will help in distinguishing correlations among variables and determining how each variable affects another.

3.8 Ethical Concerns

The study will be carried out following strict ethical standards that include but not limited to non-disclosure of information of the informants or respondents’ identity, data collected will only be used for the purposes of the research. Last but not least, it will be ensured that the data that will be generated and analysed will strictly be from the respondents. More importantly, all the resources and literatures used will appropriately be referenced and cited to acknowledge the authors and convey high integrity of the information use (Saunders and Lewis, 2011).

3.9 Chapter Summary

The methodology chapter has explained the specific methods employed by the researcher in undertaking the study. Particularly, it has presented the overall research design as being a descriptive strategy, to help the researcher to answer the main research questions. Further, the chapter has presented the population targeted as well as the sampling approach used and sample size respectively. Moreover, data collection procedure and instruments sub-sections has been provided, as well as need for pilot study, section on reliability test, data analysis approaches, and ethical considerations as well. Chapter four will present results and findings which are arranged according to the research questions and objectives.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter seeks to present the results and findings of the information obtained from the respondents using the outlined research design in chapter three. Guided by the research questions the chapter will present the information in subsections as outlined in the questionnaires, namely response rate, data reliability, background information, risk management practices, tracking mechanism, real time reporting and optimal resource allocation respectively.

4.1.1 Response rate

As recommended by Saunders and Lewis (2009) response rate of 30% and above is considered adequate to carry out a study and based on the findings make conclusions on the population. The overall questionnaires response rate was 100% where all the questionnaires were successfully completed and returned. The response rate was summarised as shown in table 3.3.
Table 3.3: Sample Size Distribution

<table>
<thead>
<tr>
<th>Branch</th>
<th>Sampled Population</th>
<th>Sample Proportion</th>
<th>Sample Size</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
<td>25%</td>
</tr>
<tr>
<td>Limuru</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
<td>25%</td>
</tr>
<tr>
<td>Kiambu</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
<td>25%</td>
</tr>
<tr>
<td>Machakos</td>
<td>260</td>
<td>0.25</td>
<td>65</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>1040</td>
<td>1</td>
<td>260</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source (Author, 2018)

4.1.2 Data Reliability

This is the level in which the methods used to collect data in the study compare to the results expected. Measurement of reliability ideally gives the consistency level of the variables considered under study. The widely applied type of reliability is internal psychometric measure which helps in assessing the survey instruments. The variables under this study were therefore measured against reliability using Cronbach’s alpha and revealed that each variable had a scale which was above the minimum recommended of 0.7 (Saunders and Lewis, 2009). In this study, the specific measurement obtained for each variable was 0.89, 0.85, 0.85 and 0.71 for risk management practices, tracking mechanism, real time reporting and optimal resource allocation respectively as presented in table 3.4 below.
Table 3.4: Cronbach’s Alpha Test for Independent Variables

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>No. of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk management responses</td>
<td>10</td>
<td>0.89</td>
</tr>
<tr>
<td>Tracking mechanism</td>
<td>7</td>
<td>0.85</td>
</tr>
<tr>
<td>Real time reporting</td>
<td>7</td>
<td>0.85</td>
</tr>
<tr>
<td>Optimal resource allocation</td>
<td>4</td>
<td>0.71</td>
</tr>
</tbody>
</table>

4.2 Background information

The questionnaire was designed to ask the respondent to indicate their background information regarding their bio-data on the following areas; age bracket, gender, highest level of education, KPLC branch employment details (branch, Location and department) as well as the role they played in the organisation finally they were asked to indicate their work experience in number of years at KPLC. The responses were as follows;

4.2.1 Age brackets

The study sought to find out the age bracket of the respondent. They were asked to indicate whether they belonged to the age bracket of 20 years or below, 21 to 30 years, 31 to 40 years 41 to 50 years and lastly above 51 years represented by 1%, 22%, 26%, 28% and 23% respectively as indicated in figure 4.1.
Figure 4.1 Age brackets

4.2.2 Gender

The questionnaire also required the respondent to indicate their gender, they were asked to indicate whether they were male or female. 61% of the respondents indicated that they were male while 39% were female as shown in table 4.2.
4.2.3 Highest level of education attained

The respondents were also required to indicate their level of education. The options provided in the questionnaire were as follows; Diploma, Bachelors, Masters, and PhD level. From the findings, 173 respondents had university degree qualification, 5 had diploma, and 75 masters while doctorate level were 7. These were represented by 67%, 29%, 2% and 3% respectively as shown in figure 4.3 below.

![Figure 4.3 Highest level of education](image)

4.2.4 Employment details

To access the composition and characteristics of the sampled respondents, the study required them to indicate their employment details including; KPLC branch they worked at, Location, Department, Job position/role they played in the organization. Significant observations from the results obtained shows that finance department had the highest number of respondents represented by 48% while quality assurance had the least number of respondents represented by 11% also supervisors represented the highest number of responses indicated by 58% of the respondents. The results were as summarized in table 3.5 below.
Table 3.5: Employment Details

<table>
<thead>
<tr>
<th>Branch Working</th>
<th>%</th>
<th>Location %</th>
<th>Department</th>
<th>%</th>
<th>Position</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>25%</td>
<td>Nairobi</td>
<td>25%</td>
<td>Finance</td>
<td>48%</td>
<td>Manager</td>
</tr>
<tr>
<td>Limuru</td>
<td>25%</td>
<td>Limuru</td>
<td>25%</td>
<td>Procurement</td>
<td>32%</td>
<td>Supervisor</td>
</tr>
<tr>
<td>Kiambu</td>
<td>25%</td>
<td>Kiambu</td>
<td>25%</td>
<td>HRM</td>
<td>10%</td>
<td>Junior</td>
</tr>
<tr>
<td>Machakos</td>
<td>25%</td>
<td>Machakos</td>
<td>25%</td>
<td>Quality Assurance</td>
<td>11%</td>
<td>Employee</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2.5 Years worked at KPLC

Finally, on the bio-data information, the research sought to establish the number of years worked in the organisation in order to determine the level of experience attained by the employees. From the findings, only 5% had worked at KPLC for a period of less than one year, 20% between 1 and 2 years, 30% between 3 to 4 years, 31% between 5 to 6 years, 8% between 7 to 8 years, 3% between 9 to 10 years and 3% above 11 years as shown in table 3.6 below.
Table 3.6: Duration Worked

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1 Year</td>
<td>14</td>
<td>14</td>
<td>5%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>52</td>
<td>66</td>
<td>20%</td>
</tr>
<tr>
<td>3-4 years</td>
<td>78</td>
<td>144</td>
<td>30%</td>
</tr>
<tr>
<td>5-6 years</td>
<td>80</td>
<td>224</td>
<td>31%</td>
</tr>
<tr>
<td>7-8 years</td>
<td>20</td>
<td>244</td>
<td>8%</td>
</tr>
<tr>
<td>9-10 Years</td>
<td>7</td>
<td>251</td>
<td>3%</td>
</tr>
<tr>
<td>Above 11 Years</td>
<td>9</td>
<td>260</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>260</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.3 Risk Management Practices

To identify how risk management enhanced by the adoption of IFMIS influences public finance management the study specifically asked the respondents a series of questions that sought to draw their understanding of risk management practices in relation to public finance management and the IFMIS. The responses obtained are as discussed in the subsections that follow.

4.3.1 Leadership role

To clearly investigate on the risk management in public finance act the study saw it’s important to first ask the respondents about the leadership role they played in the organisation since it is at the leadership levels that major decisions relating to all aspects
of an organisation are made. For this specific section a combination of leadership role, work experience and an understanding of the IFMIS system were the aspects that the study sought to draw from the respondents. They were asked to indicate if they have served in a leadership position in the organisation. The results show that 74% indicated yes that indeed they had served the organisation at a leadership position while 26% indicated that they had not served the organisation at a leadership position rather they were junior staffs of the organisation. The responses obtained are as shown below in figure 4.5

![Figure 4.5 being involved in a leadership role](image-url)

**4.3.2 Specific role involved in**

Further to being involved in a leadership position the study asked the respondents to specify the leadership role they played in the organisation. They were asked to choose between supervisory role, team leader, managerial role, employee’s relations and others. The results indicate that supervisory role represented by 54% was the highest role that the respondents were involved in, followed by managerial role at 27% and the least being team leader position at 4%. What these results show is that supervisory role being quite a high level in an organisation, the employees had enough experience in the organisation operations, risk assessment and management, understood public finance management as
well as the impact of the IFMIS on public finance management. The study then concludes that this was the right composition to enable the researcher identify how risk management enhanced by the adoption of IFMIS influences public finance management. The responses were as shown in figure 4.6 below

![Figure 4.6 Role played at KPLC](image)

**Figure 4.6 Role played at KPLC**

**4.3.3 Definition of risk management practices in the organisation**

To connect their experience in the organisation with the concept of risk management practices in, the respondents were asked to define risk management practices that were used in the organisation and how they understood it. Surprisingly 92% of the respondents understood the concept of risk management of which 70% played supervisory role in the organisation. Their understanding majorly defined risk management practices as a process of setting up procedures, measures and precautions that can enable the organisation to identify risks that are likely to cause a major negative impact on its performance as well as achieving its set objectives.
4.3.4 Adoption of IFMIS good for risk management practices

The study investigated on the role IFMIS played in risk management practices in the organisation. The respondents were asked to indicate whether adoption of IFMIS was a good risk management practice. The responses indicated that 92% agreed to the fact that risk management practice in public finance management must have the aspect of information technology or systems in place to help mitigate risks in the organisation. Further they indicated that manual system are passed by time due to the technological advancement happening around the globe that has caused a great shift in the way organisation carry out their operations. Also they indicated that adoption of IFMIS is good risk management practices as it shows management willingness enhance accountability and efficiency in its day to day operations.

On the contrary 8% of the respondents indicated that they agree that technological advancement has brought about paradigm shifts in the way organisation operate leading to adoption of management systems that enhance efficiency and accountability but without proper ethical conduct of the human resource capital in the organisation majorly their integrity then adoption of IFMIS will not be a good risk management practice rather it will be a risk itself due to human manipulation s leading to mismanagement of public funds. The responses obtained are as indicated below.

![Pie Chart]

- Yes: 65
- No: 35
4.3.5 Combined Likert’s scale

The respondents were also subjected to a series of statements which indicated that, ‘IFMIS implementation is the best risk management practice, Financial management is not based on systems but integrity, I believe that KPLC will be doing well in terms of financial management without the use of IFMIS, Technological trends have made the operations easier in KPLC , Most staff and employees appear motivated to continue working with the company after the introduction of IFMIS, IFMIS has exposed the company to more financial risks than before’’ The respondents were needed to assign values from 1 to five indicating most agreed to the most disagreed. The study revealed that 61% agreed to the statement that IFMIS implementation is the best risk management practice, 73% strongly agreed that financial management is not based on systems but the integrity of the human resource operating the system, 73% strongly disagree to the statement that KPLC will be doing well in terms of financial management without the use of IFMIS and finally 67% of the respondents strongly disagreed with the statement that Technological trends have made the operations easier in KPLC as shown in table 3.7 overleaf.
Table 3.7: Combined Likert Scale

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Total%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) IFMIS implementation is the best risk management practice</td>
<td>-</td>
<td>0%</td>
<td>1%</td>
<td>8%</td>
<td>61%</td>
<td>31%</td>
</tr>
<tr>
<td>2) Financial management is not based on systems but integrity</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>18%</td>
<td>73%</td>
<td>100%</td>
</tr>
<tr>
<td>3) I believe that KPLC will be doing well in terms of financial management without the use of IFMIS</td>
<td>73%</td>
<td>18%</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>4) Technological trends have made the operations easier in KPLC</td>
<td>2%</td>
<td>3%</td>
<td>13%</td>
<td>15%</td>
<td>67%</td>
<td>100%</td>
</tr>
<tr>
<td>5) Most staff and employees appear motivated to continue working with the company after the introduction of IFMIS</td>
<td>2%</td>
<td>1%</td>
<td>12%</td>
<td>46%</td>
<td>38%</td>
<td>100%</td>
</tr>
<tr>
<td>6) IFMIS has exposed the company to more financial risks than before</td>
<td>80%</td>
<td>12%</td>
<td>8%</td>
<td>1%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.4 Financial Tracking System

The study sought to investigate on how the adoption of IFMIS has enhanced proper financial tracking system in the organization. Respondents were subjected to a series of questions whose responses are as presented in the sub-sections that follow.
4.4.1 Adoption of IFMIS and improved financial tracking system in the company

To understand the impact of IFMIS on financial tracking system the respondents were asked to indicate as to whether the IFMIS had improved the financial tracking mechanism of the company. The responses were positive in that 98% of the respondents indicated that due to the fact that all transactions are executed in the IFMIS then financial tracking has become easy and efficient. On the other hand, 2% of the respondents indicated on. The responses were as shown below.

![Figure 4.8 Adoption of IFMIS and improved financial tracking system in the company](image)

**Figure 4.8 Adoption of IFMIS and improved financial tracking system in the company**

4.4.2 Customer satisfaction of tracking payment

Further to the impact of IFMIS adoption on financial tracking, the respondents were asked whether customers/subscribers were happy with payment tracking using the IFMIS. The respondents stated that it is difficult to edit data captured in the system thus using data captured in the system tracking customer’s payments becomes very easy. The responses were as shown below in table 3.8 overleaf.
Table 3.8 Customer satisfaction on tracking payment using IFMIS

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>98%</td>
</tr>
<tr>
<td>No</td>
<td>2%</td>
</tr>
</tbody>
</table>

4.4.3 Customer satisfaction after and before IFMIS

Still under tracking customer payments, the respondents were asked to indicate as to whether customers complain had reduced after adoption of IFMIS compared to before adoption. Represented by 72% the respondents pointed out that due to the fact that IFMIS brought about speed, efficiency and accuracy in operations, customer satisfaction after adoption of IFMIS had greatly improved. 38% were of contrary opinion pointing out that there was a change but the system still encounters a number of challenges relating to system downtime and network which at times did slowdown the operations such as customer balance confirmations, sending bills etc.

4.4.4 Combined Likert’s Scale

Lastly respondents were asked a series of statements which indicated that, ‘‘It has become absolutely easy in tracking payments and customer balances by the use of IFMIS, The system is effective but management interference makes it unsuitable for the company, By the use of IFMIS it is difficult to track financial trails in the company as officers can easily embezzle funds, technological trends have made the operations more complicated in KPLC especially in tracking funds’’ The respondents were needed to assign values from 1 to five indicating most agreed to the most disagreed. The study revealed that 88% agreed to the statement that IFMIS implementation has made tracking payments and customer balances absolutely easy, 45% were neutral in the statement that the system is effective but
management interference makes it unsuitable for the company, 73% strongly disagree to the statement that KPLC the system has made it easier for officers to embezzle funds and finally 76% of the respondents strongly disagreed with the statement that Technological trends have made the operations easier in KPLC as shown in table 3.9 overleaf.

Table 3.9 combined Likert’s scale

<table>
<thead>
<tr>
<th>Extent you Agree</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>It has become absolutely easy in tracking payments and customer balances by the use of IFMIS</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>12%</td>
<td>88%</td>
<td>100%</td>
</tr>
<tr>
<td>The system is effective but management interference makes it unsuitable for the company</td>
<td>0%</td>
<td>0%</td>
<td>45%</td>
<td>27%</td>
<td>28%</td>
<td>100%</td>
</tr>
<tr>
<td>By the use of IFMIS, it is difficult to track financial trails in the company as officers can easily embezzle funds</td>
<td>73%</td>
<td>19%</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Technological trends have made the operations more complicated in KPLC especially in tracking funds</td>
<td>76%</td>
<td>24%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.5 Real-time Reporting

To investigate how real-time reporting impacts public finance management performance, the respondents were asked a series of questions in a combined Likert’s scale and the findings were as indicated in the sub-sections that follow.
4.5.1 Combined Likert’s Scale

Real time reporting is one of the key aspects that has been brought into the operations of the organisation to ensure that information is received on real time basis. The respondents were subjected to a series of questions relating to real time reporting and the IFMIS system. Findings indicate that 73% of the respondents were neutral about IFMIS being effective in ensuring real time reporting, Reasons stated for this choice was that due to the fact that the infrastructure (internet strength, IFMIS network and System down time) of IFMIS is not at its best performance then real time reporting remains an issue. 54% strongly agree that real time reporting greatly reduces chance of fund embezzlement. Surprisingly 73% of the respondents strongly disagree that real time reporting corruption cases have drastically reduced in KPLC they stated that increased rates of corruption are not a system issue rather the integrity of those charged with governance. 73% of the respondents strongly disagreed with the statement that with real time reporting, corruption cases have drastically increases in KPLC still sighting that reduction of corruption is a matter of integrity of those charged with governance and not the IFMIS.
### Table 3.10 Combined Likert’s scale

<table>
<thead>
<tr>
<th>Extent you Agree</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFMIS is effective in ensuring there is real time reporting</td>
<td>0%</td>
<td>0%</td>
<td>73%</td>
<td>8%</td>
<td>18%</td>
<td>100%</td>
</tr>
<tr>
<td>Real time reporting greatly reduces chances of funds embezzlement</td>
<td>0%</td>
<td>0%</td>
<td>22%</td>
<td>24%</td>
<td>54%</td>
<td>100%</td>
</tr>
<tr>
<td>With real time reporting, corruption cases have drastically reduced in KPLC</td>
<td>73%</td>
<td>19%</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>With real time reporting, corruption cases have drastically increases in KPLC</td>
<td>0%</td>
<td>0%</td>
<td>48%</td>
<td>48%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>There is no real time reporting based on IFMIS adoption in KPLC</td>
<td>58%</td>
<td>20%</td>
<td>22%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### 4.5.1 Real time reporting and its impact on public finance management practices

The respondents were asked their view on whether and how Real time reporting and its impact on public finance management practices. 88% of the respondents indicated yes while 12% indicated no. To support the statement respondents pointed out that with real
time reporting management as well as customers have access to information soon as they need it specifically management can easily make decisions with real time information. The results were as shown below in table 3.11.

Table 3.11 combined Likert’s scale

<table>
<thead>
<tr>
<th>Column1</th>
<th>Column2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>88%</td>
</tr>
<tr>
<td>No</td>
<td>12%</td>
</tr>
</tbody>
</table>

4.5 Optimal Resource Allocation

To determine how optimal resource allocation promotes public finance management in state corporations the following sub-sections present the findings obtained from the respondents.

4.5.1 IFMIS and optimality in resource allocation

The respondents were asked to state their opinion in form of “yes” or “No” on the question whether IFMIS does enhance optimality in resource allocation. Since a good number of the respondents were supervisors they seemed to understand the operations of the IFMIS and its capabilities. To this question 80% of the respondents supported the fact that IFMIS played a major role in enhancing optimality in resource allocation in the organisation. They stated that this was attributable to real time reporting, budgeting and open procurement. On the contrary 20% of the respondents stated that those behind the system are the ones who determine optimality in resource allocation.
4.5.2 IFMIS and optimality in resource allocation

Respondents were asked to indicate the levels of resource allocation in the organisation. Surprisingly 44% of the respondents could not tell whether there was optimality in resource allocation or not.

While 35% indicated that there were no adequate resources in their departments while only 17% indicated that the resources in their department were adequate. The findings are as shown below

Figure 4.9: Optimality in Resource Allocation

4.5.3 IFMIS and misuse of financial resources

The respondents were asked to indicate as to whether IFMIS adoption has led to misuse of financial resources. Findings indicate that 83% of the respondents rejected the statement by strongly indicating that misuse of financial resources is a matter of those charged with
4.5.4 IFMIS and misuse of financial resources

Lastly the under resource optimality the study wanted to find out the greatest achievement of the IFMIS between risk management, financial tracking, real-time reporting and optimality in resource allocation. Interestingly the findings indicate an almost equal achievement in all the four areas of operations. The findings indicate 24%, 30%, 26% and 20% for risk management, financial tracking, real-time reporting and optimality in resource allocation respectively as shown in figure below.

Figure 4.10 IFMIS and misuse of financial resources
This chapter has covered in detail the study’s findings and presentation using graphs and tables following the proposed methodology in chapter three. In particular, the findings have been presented in accordance with the objectives that guided this study which were: To determine the effects of integrated finance management information systems (IFMIS) adoption in the performance of public financial management, to identify how risk management enhanced by the adoption of IFMIS influences public finance management, to identify how tracking mechanisms affects public finance management performance, to investigate how real-time reporting impacts public finance management performance and to determine how optimal resource allocation promotes public finance management in state corporations. Chapter five will cover discussions, conclusions and recommendations respectively.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section will present the discussions of the findings, conclusions and recommendations for improvement and further studies. The discussions and conclusions will specifically be based on the research questions as well as literature reviewed in order to affirm the findings of this study. Further, the conclusions will basically be founded on the findings analysed in chapter four of this study. Finally, recommendations will be obtained from any possible of this study as well as the research methodology employed, including the observed gaps from this study and the reviewed studies in the chapter two (literature review).

5.2 Summary of the Study

From this study, it was established that in general IFMIS has a great potential to transform all the aspects of public finance in institutions that adopt it and implement it fully in all areas of its operations. When it comes to specific areas of an organisation findings indicate that indeed IFMIS has impacted these areas in a much positive way. Specifically, the study shows that indeed IFMIS adoption has enhanced risk management at KPLC where 74 % of the respondents agree to the facts that adoption of IFMIS is a good risk management since it enables management to set up procedures, measures and precautions that can enable the organisation to identify risks that are likely to cause a major negative impact on its performance as well as achieving its set objectives. Also the findings clearly indicate that financial management is not based on systems but integrity. To elaborate on this is that without a well-trained, ethically equipped and goodwill of those charged with governance and integrity the system itself cannot mitigate financial risk from occurring.
Consequently, the findings indicate that IFMIS has enhanced financial tracking system in that records are up-to-date and can be retrieved with much ease. Further the findings indicate that adoption of the IFMIS has led to great customer satisfaction in that it is easy for customers to confirm their statements or balances as well as make payments in real-time. Also represented by 72% the respondents pointed out that due to the fact that IFMIS brought about speed, efficiency and accuracy in operations, customer satisfaction after adoption of IFMIS had greatly improved.

Further on real time reporting the study surprisingly recognises that inasmuch IFMIS is appreciated due to its performance in public finance at times it does encounter challenges such that cause system downtime which then results to lack of real time reporting. Another observation is that it is not real time reporting that has reduced embezzlement of public funds rather it is the tightening of the law and strengthening the IFMIS system through continuous assessment of the data captured in the system.

Lastly optimality in resource allocation within the organisation has improved since the adoption of IFMIS. To this question 80% of the respondents supported the fact that IFMIS played a major role in enhancing optimality in resource allocation in the organisation. They stated that this was attributable to real time reporting, budgeting and open procurement. 80% of the respondents supported the fact that IFMIS played a major role in enhancing optimality in resource allocation in the organisation. They stated that this was attributable to real time reporting, budgeting and open procurement.

5.3 Discussions of this Study’s Findings

5.3.1 Risk Management Practices

As observed by Githinji (2013), the study also reveals that at any level of leadership specifically supervisory roles and managerial roles forms the key areas to identify risks
associated with the organisation. That being so the study shows that IFMIS adoption is a good risk management practice since it is easier to mitigate risk by ensuring that all financial processes are conducted through the system in that traces of all the actions can be traced from the system in-case of suspected risks, as also observed Githinji (2013). Thus through the system it is easy to identify, mitigate and analyse financial risks.

The study outcomes are in line with other authors’ scholarly works such as Diamond and Khemani (2008) where it is generally believed that the most important thing effective leaders in organizations such as public corporations do to manage risks is to make it an explicit part of the strategic plan, and demand buy in from all levels of the organization. Risk management becomes a systematic effort that is pervasive through all operating units, supply management to manufacturing, and internal controls (Kimotho, 2015). It is given a priority commensurate with its importance, right in line with critical support functions. All these functions are explicitly targeted for effective administration of public resources.

The study revealed that 61% agreed to the statement that IFMIS implementation is the best risk management practice, 73% strongly agreed that financial management is not based on systems but the integrity of the human resource operating the system, 73% strongly disagree to the statement that KPLC will be doing well in terms of financial management without the use of IFMIS and finally 67% of the respondents strongly disagreed with the statement that Technological trends have made the operations easier in KPLC. In this case, it is implicit that the use of IFMIS in public administration as a means of mitigating risks is generally accepted as a good platform, a fact that is supported by Bartel (2009).

Advantages acknowledged from utilization of Information Technology cannot be under assessed, despite the fact that there are dangers which are thought of the utilization Information Technology. These dangers issues can be partitioned into two classes. The main classification sees chance as far as "PC hacking, infection, framework
disappointments and access control" consequently in keeping these dangers implies recognizing those dangers, assessing their plausibility of happening henceforth thinking of measures to counter them. The second class manages cost-legitimize arrangement. These IT dangers can be overseen by very much prepared IT experts (Fredrick et al., 2014).

There are a few measures which can be embraced to relieve the IT dangers guarding on their temperament. Unapproved access to PC framework can be moderated by utilization of passwords and client ID, subsequently setting off the locking of a client ID after a few endeavours of contributing incorrectly passwords. Passwords likewise ought to have least length and ought to terminate after certain span; this will keep an outsider from speculating a secret word to get to a framework or computer. Use of Information Technology out in the open fund frameworks can result to asset responsibility and straightforwardness henceforth going about as instrument to check corruption as observed by Fredrick et al. (2014).

In the previous years, developing nations and developed nations have put more endeavours towards the computerization of the administration methods, with the most spotlight on open budgetary management (Githinji, 2013). This exertion prompted presentation of IFMIS among different frameworks. IFMIS mechanizes and furthermore computerizes principle procedure of bookkeeping activities and spending execution crosswise over government bodies. In developing nations sound IFMIS can enable government to control their risks as the tasks should be possible in straightforwardness and responsible way. It can go about as a device to take out debasement and extortion and furthermore decrease political discretion. The current study has also made similar observations as Githinji (2013).

Recent and accessible studies on IFMIS just like the current research demonstrates that related investigations did so far have essentially cantered parts of IFMIS frameworks
improvement, outline, administration, checking and assessment, usage and in addition sustainability supporting the outcomes in studies by Fredrick et al. (2014) and Kimotho (2015). In developing nations IFMIS is embraced as significant segment behind open money related changes. IFMIS in growing nations are not effective in spite of the way that more assets are designated on them as they are looked by numerous difficulties of institutional, political, specialized and operational nature. Study has also shown that IFMIS has empowered productive and provoke access to solid money related information which has helped in speeding up government activities, reinforcing of government monetary controls, raising the procedure of spending making to more elevated amounts of responsibility and straightforwardness and enhancing the arrangement of taxpayer driven organizations among others.

5.3.2 Financial tracking system

The study indicates that monitoring process of public financial management practices has been effective due to the adoption of IFMIS. The management can now track transactions in real time as well as prepare reports that can aid informed decision making. These observations are in line with those by Joh and Eva (2014) who asserts that IFMIS improves efficient in financial management. Also the financial tracking mechanism has enabled the organization to use the IFMIS system in serving their customer not on a greater way but in a way that exceeds their expectations. The system enables the organization to track customer balances as well as track payments to the suppliers. The study revealed that 88% agreed to the statement that IFMIS implementation has made tracking payments and customer balances absolutely easy, 45% were neutral in the statement that the system is effective but management interference makes it unsuitable for the company, 73% strongly disagree to the statement that KPLC the system has made it easier for officers to embezzle funds and finally 76% of the respondents strongly disagreed with the statement that
Technological trends have made the operations easier in KPLC. These findings are supported by Njeri (2016) who also indicates that technology has made the process easier and manageable.

According to this study, just as it is supported by previous researchers like Bosire (2016), IFMIS provides an opportunity for the officers involved in the management of public funds to monitor and track all transactions which bare financial in nature with an aim of improving the integrity of reporting as well as transparency. Nevertheless, it is important to appreciate the fact that for effective tracking and monitoring, there ought to be in place good management and leadership practices as well as political good-will in order to eliminate or reduce vices such as embezzlement of funds as well as corruption. As a matter of fact, IFMIS is just a system which is dependent on human interactions and operation, meaning that the system can only provide information based on what it is fed.

There is expansive assertion that a well working IFMIS can enhance administration by giving constant monetary data that budgetary and different officers can use to direct projects successfully, detail spending plans, and oversee assets as noted by Jean (2017). Sound IFMIS frameworks, combined with the appropriation of brought together treasury tasks, cannot just enable developing nation’s public sectors and governments to increase compelling control over their funds, but additionally upgrade straightforwardness and responsibility, diminishing political watchfulness and going about as an obstacle to debasement and extortion. In this case, this study’s findings support these assertions of Jean (2017).

The means to executing effective IFMIS in developing nations is faced with challenges, for example, protection from the organizations included; absence of basic leadership from the best; feeble human capital; defilement and misrepresentation; and on account of contention-ridden nations, the unsteadiness and brutality that disable any productive long
haul work. Additionally, IFMIS frameworks are muddled, costly, and hard to oversee and keep up. Impediments notwithstanding, the task is as yet plausible. The innovation exists and aid agencies can assume an essential part in helping the leaders pick the most versatile and fitting instruments for their surroundings. The decision of a well ordered, or staged approach offers the best possibilities for effective execution as a task can be precisely observed and looked into consistently. Given the cost of such activities, it is vital to point first for a sound section level framework, which, once working viably, would then be able to be reached out to help extra capacities. Without a doubt, the straightforward exhibition impact of compelling section level frameworks can produce the vital interest for more thorough frameworks. The current study demonstrates convergence with other studies such as Bosire (2016) and Njeri (2016) on these aspects.

Political will is critical to this procedure. Once the choice has been made to execute an IFMIS, the fight is half won. Collecting support from the individuals who will utilize the new framework, and beating protection from the individuals who remain to lose from its execution, can be a similarly overwhelming test (Jean, 2017). Change management is hence a critical piece of any IFMIS venture as supported by this study. On a more reasonable level, choosing the correct instruments, gear and innovation requires a decent arrangement of looking. Very regularly, it is found simply after acquirement of new frameworks that those frameworks do not meet the particular conditions and needs of the undertaking, prompting expensive deferrals and spontaneous costs. To evade these sorts of hiccups, an assortment of specialists ought to be approached to test, screen and guide the execution procedure as noted by John and Eva (2014).

Most importantly, IFMIS usage requires persistence. The full undertaking life cycle—from meaning of targets, to framework details, to framework acquisition, setup, testing, and rollout—can without much of a stretch take seven to ten years, or more, to finish. This kind
of time skyline is generally well past the ability to focus of contributors, which is the reason it is fitting to separate IFMIS execution into obviously characterized stages with clear targets and developments. As each stage is finished, partners ought to painstakingly survey venture advance and guarantee that the framework being worked on still addresses the issues of the administration, and that administration sense of duty regarding the IFMIS is still there. The current study noted that a definitive objective ought to be to set up sound frameworks that are surely knew and grasped by partners and at last will act naturally supporting as observed by Bosire (2016).

5.3.3 Real-time Reporting

Most of the reviewed literature such that of Julias and Khalundi (2014) and Norris and Wade (2002) acknowledge that one of the main advantages of using a good installed and working integrated financial management system is its ability to provide real-time information as and when it is needed. Although there are gaps in terms of the suitability and operational status of the system especially in developing nations’ public sector, it is important to appreciate that where efforts are put in place to promote the efficiency of the system, the aims will definitely be achieved.

In modern public sector finance developed countries have adopted the real time reporting mechanism which has been achieved through reliable and effective financial management information systems (Dziobek et al. (2011). As observed in this study, at KPLC IFMIS has greatly impacted on real time reporting. The study reveals that beside the IFMIS capability of real time reporting the system infrastructure causes it to experience downtime that at times lead to lack of real time reporting in that client’s data is not updated which in the long run causes creation of work back-log and finally late reporting and chances of financial risk occurrence. Also the study reveals that real time reporting solely does not reduce corruption rather the integrity and goodwill of those charged with governance is
what really matters and not the system. The observation on corruption is contrary to what was found by Mwaura (2016) who indicated that IFMIS can help in reducing corruption in public institutions through real time reporting.

Governments in developing nations are progressively investigating strategies and frameworks to modernize and enhance open budgetary administration (Neely, 2007). For instance, in the previous years, there has been a presentation of the IFMIS as a standout amongst the most well-known monetary administration change rehearses, went for the advancement of productivity, viability, responsibility, straightforwardness, security of information administration and extensive budgetary detailing. The extension and usefulness of an IFMIS changes crosswise over nations, yet regularly it speaks to a tremendous, intricate, vital change process. This takes after a developing enthusiasm for the nature of open area money related administration in developing nations by the contributor group.

An IFMIS is a monetary instrument for government that packages all budgetary administration capacities into one suite of utilizations (Fidelino and Minassian, 2010). It is an Information Technology (IT) based planning and bookkeeping framework intended to help the administration elements on the best way to design spending demands, spend their financial plans, oversee and provide details regarding their money related exercises, and convey administrations to general society all the more productively, viably and monetarily. IFMIS works on a typical structure and stage that will empower enhanced similarity and consistency of monetary and money related data on real-time basis, and diminishes governments general interest in the improvement of costly bookkeeping frameworks in every administration entity (Julias and Khalundu, 2014).

As found out in this study, one of the fundamental highlights of the IFMIS is the capacity to interface with various existing and arranged mechanized frameworks, for example, the
Integrated Personnel Payroll Data (IPPD) and Government Payments Solution (G-pay). Effectiveness and enhanced results are essential objectives for any IFMIS procurement. The advantages of an IFMIS that contribute to real time reporting include: better financial administration, more ideal asset portion, enhanced administration of assets (esteem for cash), lessened extortion and defilement, enhanced straightforwardness and responsibility.

More or less, IFMIS integration suggests that the framework has the accompanying essential highlights; standard information grouping for recording money related occasions, interior controls over information passage, exchange preparing, revealing, a typical procedure for comparative exchanges and a framework plan that disposes of duplicate information passage. Reconciliation regularly applies just to center budgetary administration works that an IFMIS underpins, however in a perfect world it would likewise cover other data frameworks inside which the center frameworks impart, for example, HR, finance, and income. At the very least, the IFMIS ought to be intended to interface with these frameworks ass observed by Olabisi et al. (2017).

Further, this study notes that IFMIS can enhance an association’s budgetary administration by upgrading administration of money, obligation and liabilities. It likewise can utilize chronicled data to give better spending demonstrating processes. Integrated money related administration data framework in broad daylight budgetary administration includes various advances which are recreated from single purpose of information section generally acknowledged as the fundamental necessity to achieve constant monetary information or financial information. This arrangement may utilize useful organized approach for all monetary administration works under one umbrella with the end goal of straightforwardness, precision and auspiciousness. These incorporate the average capacities that make up the Public Financial Management (PFM) cycle, from spending
detailing to spending execution and survey, to review and assessment of money related execution and results as noted by Dziobek et al. (2011).

5.3.4 Optimal Resource Allocation

Finally, the study reveals that IFMIS system has contributed to optimality in resource allocation. Specifically, the system enables the organization to budget for each department according to its needs. Nevertheless, the act of allocation is greatly determined by those entrusted with governance. Their judgment and assessment of the needs of the organizational departments plays a key role in optimal allocation of resources. According to reviewed literature of Chado (2015), allocation of resources is enhanced through internal control systems which are the policies and procedures put in place by the management of a government agency to ensure that the agency achieves its objectives as well as to enable it comply with external laws and regulations irrespectively. The current study has also observed so and has maintained that it enables the corporation to control its aggregate spending, prioritize expenditures, while enabling programs and projects to achieve efficiency and equity in the overall allocation of resources.

Viability and enhanced results are critical objectives for any IFMIS procurement. The target of actualizing an electronic IFMIS framework is to expand the adequacy and effectiveness of state monetary administration and encourage the reception of current open consumption administration practices with regards to universal guidelines and benchmarks (Mwaura, 2016). The Government of Kenya's IFMIS is an Enterprise Resource Planning (ERP) Software. ERP applications are expansive scale PC programming and equipment frameworks that endeavor to incorporate all information and procedures of an association into a bound together framework housed in a concentrated database which is gotten to through a safe system. ERPs have capacities for dealing with big organizations in different capacities, for example, producing, coordination, dispersion, stock, delivering, invoicing,
and bookkeeping. They can likewise help in the control of business exercises like deals, advertising, quality control, and human asset administration (Wainaina, 2012).

ERP functionalities are overseen through an arrangement of modules, which takes into account adaptability in executing different capacities. This not just assumes an essential part in streamlining the productivity and adequacy in the administration of open budgetary assets, yet additionally adds to battling defilement through the advancement of more prominent extensiveness and straightforwardness of data crosswise over government institutions. By recording data into an incorporated framework that utilize normal esteems, IFMIS clients can get to the framework and concentrate the particular data they require to complete diverse capacities and assignments (Kamenyi, 2016).

Moreover, different reports promoting effective and fair resource allocation can be produced: monetary records, sources and employments of assets, cost reports, rates of profitability, maturing of receivables and payables, income projections, spending differences, and execution reports of different kinds (Lundu, 2015). A few frameworks have archives comprising of many standard reports. Directors can utilize this data for an assortment of purposes: to design and define spending plans; analyze comes about against spending plans and plans; oversee money adjusts; track the status of obligations and receivables; screen the utilization of settled resources; screen the execution of particular offices or units; and make amendments and alterations as important, just to give some examples (Cherotich, 2016). The current study has also made observations in agreement with studies of Kamenyi (2016), Lundu (2015) and Cherotich (2016) respectively.
5.4 Conclusion

5.4.1 Risk Management Practices

From the findings and discussions, the study can conclude that IFMIS adoption in the public sector has and will continue to bring a positive impact in public finance management. Specifically, as findings show IFMIS has a big impact on risk management, in the sense that it leads to identification and monitoring of different financial risks in a public institution. Monitoring process is enhanced through constant tracking of information and promotion of the personnel’s integrity through continuous training. Some of the key areas that a public entity must focus on which have high potential or probability of causing risks include hacking of the computers and the systems, computers being infected by virus and malware software, and unauthorized accessibility of the system for any intentions other than the intended administrative purposes by people within an entity. But in overall, of the system is adequately implemented with objective, purpose and integrity, the end result is that it aids in risk management to a larger extent.

5.4.2 Financial Tracking System

The second most important advantage of the IFMIS in a public entity as revealed by the study is the act of tracking financial information by authorities charged with governance responsibility. As a matter of fact, financial processes and functions are every time delegated to different groups in an organization right from data entry clerks, cashiers, operational accountants, head accountants, finance officers, chief financial controllers and eventually these last group reports to the parastatal’s directors respectively. The essence is that there should be adequate and accurate flow of information right from the lower level personnel to the top executive for purposes of enhancing transparency. Secondly, financial information in any entity is considered the most sensitive information that needs to be managed with a lot of care. In this regard, the merits of IFMIS as far as financial
information tracking is concerned are based on the fact that it enables effective monitoring, quick production of reports when needed, controlling and planning respectively.

5.4.3 Real-Time Reporting

Thirdly, the study concludes that IFMIS has greatly enhanced real-time reporting function in organizations. This promoted online accessibility of data and customers’ information which are used to bill them and also in deciding on the clients to be disconnected from the services or not. Ideally, for the system to be able to achieve these goals, it has to be reliable and effective. Further, the integrity of personnel and political goodwill must be present for these objectives to be realized. This include reduction of corruption and embezzlement of funds by any level of management whether from the junior or even among the top executives. It therefore becomes a very essential monetary instrument for the government to keep an eye of financial transactions and utilization by various departments and parastatals respectively. The main objective by this need is the fact that all government institutions are funded by the same government budget through the treasury, hence there is need for accountability and economic use of financial resources. Nevertheless, the study concludes that in the Kenyan context, the objective of real-time reporting has not been fully realized as there are occasional downtimes of the system especially in KPLC making the customer’s data to be lost and inadequate due to lack of constant updating on the system. Basically, the users’ experience and goodwill can determine the quality if the output work although the nature of the system is also considered important in leading to better financial administration function in entities.

5.4.4 Optimal Resource Allocation

Optimal resource allocation is also one of the core objectives of government institutions such as KPLC. Since this for areas form the key aspects of organization which is well taken care of can ensure sustainable growth in any organization. Also the study concludes that
without integrity of those charged with governance the system alone cannot promise to solve all the challenges of public finance management. Similarly, without proper training of employees who seat behind the system still public finance management will remain a quagmire. The fundamental contributions of IFMIS in resource utilization and allocation is just creating a conducive environment on which departmental budgeting is made possible, continuous scrutiny and monitoring of resource use, real-time reporting and immediate retrieval of data and reports for decision making when needed, as well as managing related risks. However, the overall optimization of resources will largely depend on those entrusted with governance responsibilities, the personnel who use the systems, professional judgement of decision makers, and objectives of an entity in ensuring viability and enhanced results of the system. This promotes equitable and optimal resource allocation and utilization if users make decisions based on objective foundations as opposed to subjective bases respectively.

5.5 Recommendations

5.5.1 Recommendations for the Research

5.5.1.1 Risk Management Practices

The researcher recommends that KPLC and other public institutions should consider putting in place stringent measures to curb financial and system risks associated with the use of IFMIS. Such measures include data recovery techniques in case of an incident in which data is lost, use of long and complicated passwords to prevent accessibility of data from unauthorized persons, setting the system to lock users after a few minutes in order to prompt them to input passwords, and ensuring that no access is allowed to external websites to avoid infection by viruses by malicious persons respectively.
5.5.1.2 Financial Tracking System

The study also recommends that there should be political goodwill in order to make the system effective in financial monitoring, as well as reduction or elimination of corruption cases in public institutions. There must be in place unconditional support of the system. In order to eliminate any inefficiencies if the system in tracking information, an assorted group of specialists and experts should be engaged in sorting, testing, screening and guiding the execution procedure as well as continued monitoring of the system for a long period to ascertain its effectiveness before it is fully implemented. This requires persistence and an implementation process where both the system and the old techniques are used concurrently for a number of years say 7 to 10 years.

5.5.1.3 Real-Time Reporting

Also the study recommends that there is a need for an upgrade of the IFMIS infrastructure to improve real time reporting as well as customer satisfaction. In order to reduce downtime cases that have been reported in the use of the system, it is recommended that the integrity of the user and the system should be the priority. More sophisticated systems should be procured with ability to manage multiple tasks owing to the clientele base and geographical location that out to be captured respectively. This should be followed by adequate training of the users as well.

5.5.1.4 Optimal Resource Allocation

Since the study reveals that as much as public finance management depend on effective system integrity, it also indicates that the integrity of the users and those charged with governance is key as well. Therefore, the study recommends that the management of KPLC should consider intensive training and awareness on system integrity as well as ethical standards for the employees. Also the study recommends that there is a need for
the entities to be objective in decision making in order to achieve desired outcomes and goals.

5.5.2 Recommendation for Future Research

The purpose of the study was to determine the effects of integrated finance management information systems (IFMIS) adoption in the performance of public financial management. The study has categorically highlighted different aspects in which these factors plus others influence adoption of IFMIS. However, the study did not focus on a wider scope in terms of population and geographical distribution of the respondents. On the basis of further studies, the study recommends that a study should be undertaken with a wider scope including other public sectors in Kenya as well as a wider geographic area in order to obtain divergent views from different populations.
REFERENCES


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Laws of Kenya (2012). *Public finance management Act No.18 of 2012*. Published by the national council for law reporting with the authority of the attorney general, 1-192.


Appendix 1: Questionnaire

INSTRUCTIONS;

Kindly answer the following questions objectively by writing a brief answer or ticking in the space or boxes provided respectively.

Name(Optional)………………………Email……………………………

Cell Phone…………

TOPIC: EFFECTS OF IFMIS PRACTICES IN PUBLIC FINANCE MANAGEMENT PERFORMANCE: A CASE STUDY OF KENYA POWER LIMITED COMPANY

PART A: BACKGROUND INFORMATION

Please tick (✓) as appropriate

1. Kindly indicate your age bracket.

   Below 20 years

   21-30 years

   31-40 years

   41-50 years

   Above 51 years.
2. Kindly indicate your gender

   Male
   Female

3. Level of education attained

   Diploma
   Bachelors
   Masters
   PhD

4. (a) Name of branch ...........................................
   (b) Location...................................................
   (c) Your department......................................
   (d) Your position/role

      Manager
      Supervisor
      Junior Employee
5. What’s the period you have worked with KPLC?

- Below 1 year
- Between 1-2 years
- Between 3-4 years
- Between 5-6 years
- Between 7-8 years
- Between 9-10 years
- Above 11 years
Section B: Risk Management Practices

6. Have you ever played any leadership role within your KPLC experience?
   Yes [ ]  No [ ]
   b) If yes, what leadership role were you/are you charged with?
      Supervisory role [ ]
      Team leader [ ]
      Managerial roles [ ]
      Employees relations [ ]
      Any other [ ] Elaborate
      ……………………………………..

7. Based on your experience in the organization, how would you define effective risk management practices?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   ………………………………………………………………………………………

8. In your view, do you think the adoption of IFMIS is a good risk management practice?
   Yes [ ]  No [ ]
   If No, explain why?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   If yes how?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
9. Indicate by TICKING the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree.

<table>
<thead>
<tr>
<th>Extent you Agree</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFMIS implementation is the best risk management practice</td>
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<td></td>
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</tr>
<tr>
<td>Financial management is not based on systems but integrity</td>
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<tr>
<td>I believe that KPLC will be doing well in terms of financial management without the use of IFMIS</td>
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<tr>
<td>Technological trends have made the operations easier in KPLC</td>
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<tr>
<td>Most staff and employees appear motivated to continue working with the company after the introduction of IFMIS</td>
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<tr>
<td>IFMIS has exposed the company to more financial risks than before</td>
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</tr>
</tbody>
</table>
Section C: Tracking Mechanisms

10. Do you think adoption of IFMIS has improved financial tracking system in the company?
   Yes [ ] No [ ]

11. Are the subscribers (customers) happy with the use of the system in tracking payments and their account balances?
   Yes [ ] No [ ]

12. In your opinion, have the customer complaints reduced since the adoption of IFMIS as compared to periods prior to the implementation of IFMIS?
   Yes [ ] No [ ]

13. Indicate by TICKING the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= Strongly Disagree, 2=Disagree, 3=Neutral. 4=Agree and 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Extent you Agree</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>It has become absolutely easy in tracking payments and customer balances by the use of IFMIS</td>
<td></td>
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<tr>
<td>The system is effective but management interference makes it unsuitable for the company</td>
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<tr>
<td>By the use of IFMIS, it is difficult to track financial trails in the company as officers can easily embezzle funds</td>
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<tr>
<td>Technological trends have made the operations more complicated in KPLC especially in tracking funds</td>
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</tr>
</tbody>
</table>
Section D: Real-time Reporting

14. Indicate by TICKING the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Extent you Agree</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFMIS is effective in ensuring there is real time reporting</td>
<td></td>
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</tr>
<tr>
<td>Real time reporting greatly reduces chances of funds embezzlement</td>
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</tr>
<tr>
<td>With real time reporting, corruption cases have drastically reduced in KPLC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With real time reporting, corruption cases have drastically increases in KPLC</td>
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</tr>
<tr>
<td>There is no real time reporting based on IFMIS adoption in KPLC</td>
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</tbody>
</table>

15. Do you think real time reporting impacts public finance management practices?

Yes [ ] No [ ]

Explain

............................................................................................................................................................................................................................................
............................................................................................................................................................................................................................................
16. Explain what you love the most about the staff in finance department in your organization.

- Team work
- Self-motivated
- Leadership skills
- Inter-personal relationship
- Others

[ ] Explain. ........................................

............................................................
Section D: Optimal Resource Allocation

17. Do you think the use of IFMIS enhances optimality in resource allocation?

Yes □ □ No □ □

18. What is your perception about resource allocation among various departments in your company?

Adequate □
Inadequate □
Cannot tell □
Very poor □
Any other [ ] Elaborate

19. Through IFMIS, financial resources have been greatly misused and wasted. Do you agree?

Yes □ □ No □ □

20. In overall, what do you think is the greatest achievement of IFMIS in any public institution?

Risk Management □
Tracking Improvement □
Real-time Reporting □
Resource Utilization □
Any other [ ] Elaborate

Thank you for your cooperation!