EFFECT OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM ON THE EFFECTIVE MANAGEMENT OF PUBLIC FUNDS IN COUNTY GOVERNMENTS: A CASE OF KIAMBU COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ______________________        Date: ______________________

Naomi Muiruri (ID No.649265)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________   Date: _______________________

Marion Mbogo

Signed: ___________________________   Date: _______________________

Dean, Chandaria School of Business
ABSTRACT

The purpose of this study was to establish the effect of Integrated Financial Management Information System on the effective management of public funds in County Governments. The study was guided by the research objectives as follows: to establish the effectiveness of IFMIS on the transparency in the management of public funds in County Governments, to determine the effectiveness of IFMIS in accounting and financial reporting in County Governments and, to determine the effectiveness of IFMIS in the auditing of County Governments.

This study was based on descriptive research design, which was used to capture the characteristics and dynamics of the population under study. The population of study comprised of 134 users of IFMIS in Kiambu County Government that is, officers in finance, procurement, accounts and audit. Probability sampling and stratified sampling were used to select a sample of 67 respondents. Quantitative data was analyzed using descriptive statistics supported by tables, frequency distributions, percentages, mean, mode and variance that was established through the use of SPSS.

The findings on effectiveness of IFMIS on the transparency in the management of public funds revealed that IFMIS enhances transparency within the financial system, IFMIS enhances efficiency of the financial processes, IFMIS has improved accountability of public finances and IFMIS has enhanced easy access to financial information whenever required. It was also revealed that there is uncertainty of IFMIS leading to the effective management of Public Funds, IFMIS leading to easy access of financial information to external users and IFMIS improving service delivery to the Public.

The findings on effectiveness of IFMIS in accounting and financial reporting revealed that IFMIS has improved the quality of financial reports, IFMIS has improved accuracy in financial reporting, IFMIS has improved government accounting processes and IFMIS has also improved the reliability of financial records and timely financial reporting in compliance with Financial Reporting Standards. However, there was uncertainty on IFMIS improving presentation of data for easy analysis and interpretation.

The findings based on Effectiveness of IFMIS in the Auditing of County Governments revealed that IFMIS has led to the improvement of the audit process, IFMIS has improved the audit function of adding credibility to the financial statement and IFMIS has
enabled easy access of financial data by the auditors. There was however uncertainty of IFMIS improving controls in the financial processes or whether it has enabled verification of the truth and fairness of the financial statements and IFMIS meeting the public expectations on the financial statements.

It was concluded that the use of IFMIS Kiambu County has created transparency, enhanced efficiency, enhanced accountability of public finances, enhanced the quality of financial reports, improved accuracy in financial reporting, improved government accounting processes and improved auditors accessibility to financial data. However there was uncertainty on IFMIS improving the delivery of service to the public, IFMIS accurately disclosing the true financial position and IFMIS improving the reliability of financial statements for external users.

It was recommended that Kiambu County should come up with strategies that will enable them plan, organize, direct and control public funds in the county, ensure that they are able to disclose true financial information to its members and they should also be to account for receipts and payment hence, increasing transparency and reducing misuse of funds and effectively use IFMIS to make it reliable and this will enable auditors to validate the true financial position of the county.

The study sought to find the effect of integrated financial management information system on the effective management of public funds in county governments. The study was only done in Kiambu County. Therefore, more research should be done in other counties to identify the effect of integrated financial management information system on the effective management of public funds.
ACKNOWLEDGEMENT

I sincerely thank the Almighty God for seeing me through this entire academic journey and granting me strength, courage and perseverance. All Glory and Honor be unto Him.

I wish to acknowledge my Supervisor, Marion Mbogo for her professional guidance, support and for patiently guiding me through the development of this report.
DEDICATION

I dedicate this research project to my father the late John Muiruri Gathairu for his support both financially and morally throughout my education until his death and to my mother Elizabeth Gathoni Muiruri for her continued prayers, support, encouragement and love.
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ABBREVIATIONS AND ACRONYMS

CG  County Government
FM  Financial Management
FMIS Financial Management Information System
GoK Government of Kenya
IFMIS Integrated Financial Management Information System
IPSAS International Public Sector Accounting Standards
OAG Office of the Auditor-General
PEFA Public Financial Management Performance Reforms
PFM Public Financial Management
PFMR Public Finance Management Reform
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Finance is a key requirement of every organization which basically concerns providing of funds for all activities as and when they are needed in an adequate and timely manner, and includes four functions which are: raising of funds, proper utilization of funds, increasing profitability, and maximizing a firm’s value, where efficient utilization of finances is considered the most important function to ensure efficient management of the business (Ramagopal, 2008).

There are two classifications of finance namely: private finance which deals with personal, corporate and business finances, and public finance which deals with revenue and disbursements of the government finances (Paramasivan, 2009).

Finance function or decisions is classified into four major groups which are: investment decision which involves long term asset mix, finance decision which involves capital mix, liquidity decision which involves short term asset mix, and dividend decision which involves profits (Ramagopal, 2008).

The evolution of Financial Management is divided into three major extensive phases since the 20th Century which are: the traditional phase which lasted for about four decades and whose main features were, company formation, lifecycle and liquidation and the approach used was descriptive and institutional where the outsider’s point of view was dominant, the transitional phase which began in early 1940’s with characteristics similar to that of the traditional phase but greater emphasis was placed on issues that were facing the financial managers with funds matters and, the modern phase which began in the mid 1950’s with an influx of ideas from economic theory and quantitative methods of analysis (Chandra, 2008).

Financial Management is the management of the limited financial resources of an organization in comparison to its demands or needs, and the process of financial management is concerned with the procuring and effective utilization of funds while ensuring that this is done in alignment to the overall objectives of the firm, and the expectations of those who provide the funds (Ramagopal, 2008). FM is a managerial
activity that deals with the planning and controlling of a firm’s financial resource (Pandey, 2015). FM is concerned with raising of funds needed to finance the enterprise’s assets and activities and allocation these scare funds between competing projects while ensuring that the funds are used efficiently so as to achieve goals (Khan et al., 2015).

There are two approaches to FM which are: the traditional approach based on past experience that deals with the arrangement of funds from lending bodies through various financial instruments and finding out the sources of funds and the modern approach involving a finance manager whose functions in finance are financial forecasting, capital acquisition, investment decision, cash management and the relationship with other functional departments (Paramasivan, 2009).

Effective finance management enables achievement of business goals and profitability and is an important part of economic and non-economic activities which leads to decisions affecting efficient procurement and proper utilization of finances (Paramasivan, 2009). Financial management is an essential part of the jobs of managers who are involved in planning, allocation and control of resources and the responsibility is also spread out through various sections/departments of the organization such as marketing, purchases, engineering, sales and finance with the specialized functions being a responsibility of Finance (Paramasivan, 2009). FM not only concerns raising of funds but the funds must be suitable and economical to the organization and its emphasis is more on the efficient utilization of the funds rather than the raising of the funds only (Ramagopal, 2008).

The activities of a firm are judged by its financial achievements amongst many other goals to ensure smooth running of the daily operations through management of operations, investments and liquidity to create value (Patel, 2014). FM is one of the various functional areas of management but is however viewed as the center to the success of any business. When financial management is inefficient and a business environment uncertain, these result to serious business problems (Deresa, 2016).

The Practice of Financial Management includes: Financial Accounting, Reporting and Analysis which is concerned with financial records in terms of their nature, purpose, frequency, purpose financial reporting, auditing, analysis and interpretation, Working Capital Management which is concerned with managing financing levels and investments so as to maintain efficiency, Capital budgeting which is concerned with the...
of funds to long term capital projects which impact company’s strategic position, and Financial Planning and Control which is concerned with financial objectives and targets, cost-volume-profit analysis, pricing, short term financial budgeting and control (Deresa, 2016).

The Scope of Financial Management includes: FM and Economics whereby FM utilizes economic equations such as economic order quantity, FM and Accounting whereby accounting information includes financial records, FM and Mathematics where mathematical, statistical tools such as capital structure theories are used in FM, FM and production management since production performance needs finance, FM and Marketing since the department needs finances to meet their requirements, and FM and Human Resource (HR) which provides manpower to FM and FM provides finances to support the HR (Paramasivan, 2009).

Some of the importance of FM is as follows: Financial Planning where it helps to determine the financial requirements of the business, acquiring of funds at the minimum cost to finance the business, correct use and allocation of funds so as to increase the value of the firm by efficiency in operations and reduced cost of capital, financial decision which improves cohesion with various departments or users of the finance, improving profitability which comes as a result of effectiveness of the business, proper utilization of funds and improved controls, increasing the value of the firm through profitability or wealth maximization and promoting savings through profitability (Paramasivan, 2009).

Public financial management (PFM) is traditionally defined as how governments manage the budget in set out phases which are: budget formulation, budget approval, and budget execution in which there are set of processes and procedures that cover all aspects of expenditure management in government. It is also applicable in various disciplines which are: economics, political science, public administration, accounting, and auditing (Cangiano & Curristine, 2013). According to Ajayi and Omirin (2007), a strong Public Financial Management System is a stimulus for economic growth and development in the government and its departments to ensure that they raise, manage, and spend public resources in an efficient and transparent way so as to improve service delivery. The main objectives of PFM are: maintaining a sustainable fiscal position, effective allocation of resources, and efficient delivery of public goods and services, with emphasis shifting
from the effectiveness and efficiency to fiscal sustainability (Cangiano & Curristine, 2013).

In Kenya, PFM system aims to facilitate the provision of essential public services to the people of Kenya though channeling of public resources to the most vital and politically prioritized areas of service such as: education, health, security and justice, infrastructure for roads and water provision. The system is also set to adhere to the principles outlined in the Constitution such as equity and transparency in the use of public funds and put in place measures of control, reporting and for efficient finance management both at service delivery and oversight levels (The National Treasury, 2013). The PFM Act (2012) has outlined its objectives as: to promote a good financial management both at National and County level, to facilitate effective and efficient use of limited resources, to comply with constitutional requirement to enact legislation on public finance and to have one legislation that is comprehensive. It has also outlined two objects which are: management of public finances at both the national and county levels of government in accordance with the principles set out in the constitution, and responsibility of managing the finances by public officers who are accountable to the public for the management of those finances through parliament and county assemblies. The effectiveness of the state is reliant on a good public financial system which not only supports good governance and transparency but is also very important for effective delivery of the services that are relied upon by which human and economic development (Lawson, 2012).

There have been revolutions in PFM since the late 1980’s with a combination of various disciplines such as economics, public administration, accounting and political science where various reforms in management of public funds have come up (Cangiano & Curristine, 2013).

The government of Kenya in the past has undertaken various initiatives to improve Public Finance Management and one of the initiatives was the Strategy for the Revitalization of Public Financial Management System in Kenya (2006-2011) that was developed to guide the PFM reforms and was implemented using a Sector Wide Approach. The Public Sector Management Reforms in Kenya have been undertaken by the government over the last decade and were aimed at increasing efficiency, effectiveness and transparency in public financial management so as to improve accountability and better service delivery. The development of this strategy was to guide reforms in the PFM sector through various
transformations such as: quality, timeliness and accuracy of financial reports, priorities on budget allocations, credibility of the budget, procurement, roll out of the IFMIS, revamping of external audit among others. The Strategy for the Public Finance Management Reforms in Kenya (2013-2018) through the systems, development and implementation of capacity/training programs was to ensure proper use and maintenance of IFMIS (The National Treasury, 2013).

Accounting, recording and reporting systems are beset with issues, related to compliance with procedures and IFMIS-system errors which damage the credibility of the Government capabilities in PFM management (PEFA, 2012). Public Financial Management Performance Reforms (PEFA) is a tool for assessing the status of public financial management. A PEFA assessment provides a thorough, consistent and evidence-based analysis of PFM performance at a specific point in time. PEFA is a methodology for assessing public financial management performance. It provides the foundation for evidence-based measurement of countries’ PFM systems. A PEFA assessment measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes. There are seven pillars of performance in an open and orderly PFM system that are essential to achieving these objectives and are the key elements of a PFM system. They also reflect what is desirable and feasible to measure. The pillars are: budget reliability, transparency of public finances, management of assets and liabilities, policy based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, external scrutiny and audit (PEFA, 2016).

Designing and implementation of a Financial Management Information System requires the following: identifying the PFM reform needs of the government, developing customized solution and strengthening institutional capacity to manage project activities effectively (Dener et al., 2011). For the success of a FMIS, various aspects need to be put into consideration which are: The political/ government commitment and ownership, adequate preparation, priorities of FMIS addressed sequentially, development of internal client capacity early in the process, a dedicated project for FMIS implementation, the scale of the FMIS solution which influences implementation, the presence of an ICT expert in the World Bank Team , the number and complexity of procurement packages which influence the project, large ICT contracts that are signed at later stages causing
FMIS projects to disburse late and clear identification of ICT-related risks during project preparation (Dener et al., 2011).

Reliability, cost effectiveness and accountability of information systems can be improved by the following instruments in FMIS projects: using EPS for all government payments, using digital/electronic signature for all financial transactions, electronic records management for audit trails and integrity checks, publishing the budget execution results and performance monthly on the Web to enhance transparency, interoperability and reusability of the information systems for sustainability purposes, FMIS development and project management based on industry standards and using Free/Libre Open-Source Software (FLOSS) in PFM applications to reduce cost and complexities (Dener et al., 2011).

One of the government’s obligations towards the public is to ensure that it accounts for public funds from the collection of revenue, preparation of budgets, public expenditure, and final accounting and reporting. The government of Kenya has developed and implemented various policies, systems and regulations to enhance the management of public funds. One of the governments’ initiatives was the introduction of an Integrated Financial Management Information System (IFMIS). IFMIS refers to the use of information and communications technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, IFMIS refers more specifically to the computerization of 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 (Edwin, 2008).

The Kenya’s IFMIS is an Oracle Based Enterprise Resource Planning (ERP) Software. The ERP applications are large-scale computer software and hardware systems that attempt to integrate all data and processes of an organization into a unified system housed by a centralized database which is accessed through a secure network (Ministry of Finance, 2013). IFMIS is an automated public financial management system that interlinks planning, budgeting, expenditure management and control, accounting, auditing and reporting. It is operational in both the national and County Governments to guarantee that each expense is traceable, delivering optimal value to Kenyans. The IFMIS system is
an important enabler of the PFM processes which are, planning and budgeting, execution, accounting, reporting, audit and parliamentary oversight (The National Treasury, 2014). Development of IFMIS started in 1998 while deployment of the system to the line ministries began in 2003. IFMIS Re-engineering Strategic Plan (2011-2013) was launched in February 2011 to provide a structured methodology to stabilize the existing IFMIS system. Its objective is to ‘automate and integrate PFM systems which facilitate efficient and effective execution of all financial management processes, eliminate risks, and enhance security and financial controls in all service areas (The National Treasury, 2013).

Kiambu County is one of the 47 counties in the Republic of Kenya, located in the central region and covers a total area of 2,543.5 Km2 with 476.3 Km2 under forest cover according to the 2009 Kenya Population and Housing Census. Kiambu County is bordered by the following Counties: Murang’a County to the North, Nyandarua to the North West Nairobi and Kajiado Counties to the South, Nakuru county to the West, Machakos county to the East, and North East. The county lies between latitudes 00 25‘ and 10 20‘ South of the Equator and Longitude 360 31‘ and 370 15‘ East. The Kenya Population and Housing Census undertaken in 2009 for the year 2012, was projected to be 1,766,058 where 892,857 were projected to be females 873,200 and were males. It was further projected that by the end of 2017 the population would reach 2,032,464. This is due the county’s high population growth rate, which is at 2.81 per cent summed up with the inflow of people working in the city who prefer to reside in Kiambu and its environs which offer less congestion and has more developed infrastructure. With regards to Kiambu’s gender, the sex ratio of male to female is approximately 1:1.02. The County is presently divided into twelve (12) sub-counties which are, Limuru, Kikuyu, Kabete Kiambu, Kiambaa, Ruiru, Juja, Thika town, Lari, Gatundu South, Gatundu North and Githunguri which are further divided into 60 wards (County Government of Kiambu, 2017).
1.2 Statement of the Problem

The Kenyan government introduced the IFMIS as an automation of the PFM. Some of the strategic objectives of IFMIS are to facilitate the efficient and effective execution of all financial management processes and to eliminate risks and financial controls in financial management. The benefits of IFMIS include: creation of a mechanism for efficient resource allocation mechanisms, improving management information for decision making, establishing effective links between key players in accounting and financial management, improving financial controls where reliable and timely financial information is availed, improves accounting, recording and reporting through providing timely, accurate financial data, accelerating the pace / scope of economic growth, and enhancing the development partners’ confidence (Kaimenyi, 2016).

There have been increasing allegations on misappropriation of public funds over the years despite the implementation of IFMIS in the government and according to the Report of the Auditor General (2013-2014) a number of adverse and disclaimer of opinions were expressed. Monitoring of financial management in the public sector should be monitored since it is not only important in the efficient and economic use of public funds, but it also greatly affects the establishment of a sustainable culture in the better use of public funds (Lusha et al., 2015).

Hawo (2015) studied the effect of IFMIS in the financial management of Public Sector in Kenya and found out that the systems in place for financial management had positive effects on the financial management in the public sector and recommended that further studies be carried out on the effectiveness of IFMIS in both private and public sector in Kenya. Muigai (2012) in a similar study found out that IFMIS is a major component of reforms that has affected financial management positively however, he recommended that since the study focused on government ministries further studies could be undertaken by involving other regions or departments in the country. With the above studies not conclusive on the subject of IFMIS with regards to financial management in the county governments, this study therefore seeks to establish the effect of IFMIS on the effective management of public funds in County Governments and specifically in Kiambu County.
1.3 General Objectives
The general objective of this study was to establish the effect of Integrated Financial Management Information System on the effective management of public funds in County Governments.

1.4 Specific Objectives
The specific objectives of this study were:

1.4.1 To establish the effectiveness of IFMIS on the transparency in management of public funds in County Governments.

1.4.2 To determine the effectiveness of IFMIS in accounting and financial reporting in County Governments.

1.4.3 To determine the effectiveness of IFMIS in the auditing of County Governments.

1.5 Importance of the Study
This study is of importance to the following:

1.5.1 Government policy makers
This study will be useful to the policy makers to identify the gaps that are existing with regards to transparency, accounting, reporting and audit of County Governments with regards to IFMIS.

1.5.2 General public
This study will be useful to the general public who are the major contributors of government funds in terms of taxes to enable them identify the gaps in the government accounting for public funds.

1.5.3 Researchers and Academic scholars
This study seeks to seal the gaps in literature on the effectiveness of IFMIS with regards to accountability of government funds and add to the literature of Public Financial Management and the IFMIS.
1.6 **Scope of the Study**

The research was limited to Kiambu County Government. The sampling unit was users of IFMIS in Finance, Accounting, procurement and audit departments. The field work was undertaken in the months of January and February 2018. Limitations of the study included prolonged collection of data which took longer than expected due to the busy schedule of the staff caused by the transitioning of the newly elected County Government. The researcher therefore had to make more visits than expected to meet the target number of questionnaires required. Another limitation included the respondents’ hesitance in filling the questionnaires due to confidentiality especially at the time of transition in the County Government. The researcher had to assure confidentiality through the letter of introduction that was presented to all the respondents and also not requesting identification of the respondents’ names.

1.7 **Definition of Terms**

1.7.1 **Finance**

This is the art and science of managing money (Khan & Jain, 2007).

1.7.2 **Financial Management**

This is that managerial activity which is concerned with the planning and controlling of the firm’s financial resources (Pandey, 2015).

1.7.3 **Public financial management (PFM)**

This is the art of budgeting, spending, and managing public monies (Cangiano & Curristine, 2013).

1.7.4 **Government.**

This refers to the collection of public institutions established and given the authority to run the affairs of a country. It is a system of governance and includes the body of individuals who are authorized to administer the laws of a Nation (ATSWA, 2013).

1.7.5 **Transparency**

This can be referred to as the availability and free flow of information to all those who are connected with the decision (Hamid & Shaban, 2015).
Transparency can also be defined as conducting official business in such a way that substantive and procedural information is available and widely understandable to the interested parties, subject to reasonable limits that protect security and privacy (Johnston, 2017).

1.7.6 Auditing

This can be defined as a systematic process whereby evidence on the current condition of an entity, process, financial accounts and controls is obtained objectively, evaluated and compared to a set of predetermined and accepted criteria against legal and regulatory standards and thereafter communicating the results to the intended users (Kagermann et al., 2008).

1.7.7 Accounting

This can be defined as the process of recording, analyzing, classifying, summarizing, communicating and interpreting financial information (ATSWA, 2013).

1.7.8 Government Accounting

This refers to all the financial documents and records of public institutions that relate to the collection of taxpayers’ money, and the analysis, control of expenditure, administration of trust funds, management of government stores and all the financial responsibilities and duties of the relevant organs. Government Accounting system is the way of accountability through which the established institutions of the public render stewardship on the revenue of the Nation and how it has been disbursed (ATSWA, 2013).

1.8 Chapter Summary

This chapter included the background of the study which introduces Public Financial Management and issues surrounding the Integrated Financial Management System. The chapter has discussed the statement of the problem and stated the general objectives and specific objectives of the study and also the scope of the study. Chapter 2 reviewed literature, that is, past studies that have been done on IFMIS and Financial Management in government and the theories that have been applied. Chapter 3 covered the methodology to be used while undertaking the research that is, the research design, data collection, population and sampling, procedures to be used in research and data. Chapter
Chapter 4 covered the results and findings attained from the data analysis done. Chapter 5 covered a summary based on data collected, the findings based on literature review, conclusions and recommendations for improvement and further studies were also discussed.
2.0 LITERATURE REVIEW

2.1 Introduction
This chapter is a review of literature related to Integrated Financial Management Information Systems. It explores theoretical and empirical literature regarding to, the effectiveness of IFMIS on the transparency in the management of public funds in County Governments, effectiveness of IFMIS in accounting and financial reporting in County Governments and the effectiveness of IFMIS in the auditing of County Governments.

The Accounting, recording and reporting systems are beset with issues, related to compliance with procedures and IFMIS-system errors, and damage the credibility of the Government in terms of its perceived capabilities in PFM management (PEFA, 2012).

2.2 Effectiveness of IFMIS on the Transparency in the Management of Public Funds in County Governments
According to the PFM Act (2012), the overall management of Government Finance is carried out by the following actors. One, the Minister of Finance who manages the Consolidated Fund and is responsible for all matters relating to public financial affairs not assigned to any other Minister. Two, the Treasury which lays out procedures and systems and accounting procedures for proper and effective management of government money and property as well as ensuring proper accountability of all government expenditure. The treasury also ensures that the accounts prepared comply with the provisions of the PFM Act and are submitted for each financial year to the Controller and Auditor General.

According to ATSWA (2013), there are two groups of Government Accounting information namely Internal Users and External Users. Internal Users are those who generate and transmit Accounting Information and serve as liaison officers between Government, employees and the public and external users. Examples of internal users of Government accounting information are, the Labour Union in the public service which presses for improved conditions of employment and security of their members, members of the Executive Arm of Government who ensure probity and accountability through score keeping and performance control which are achieved through accounting information and top Management members such as Permanent Secretaries of various Ministries and General Managers of Parastatals. External Users
of government accounting information include members of the Legislature at both National, State and Local Government levels who use information in the accounts of Governments as the major media of stewardship to their constituencies and members for accountability, researchers who use the information to develop new and better ideas of governance, financial journalists to advise existing and potential investors, financial institutions who use the information to assist them to evaluate the credit rating of a borrower and suppliers and contractors who use the information to ascertain the ability of a Government to pay for goods and services delivered.

Strong Public Financial Management (PFM) systems are essential to improved service delivery, poverty reduction and for achievement of the Millennium Development Goals. Effective PFM systems maximize financial efficiency, improve transparency and accountability, and in theory will contribute to long-term economic success. Activities range from the preparation and fulfillment of the budget cycle, budget oversight and control, taxing and debt management and procurement, to resource allocation and income distribution, and are increasingly seen as a set of inter-related sub-systems (and organizational and political cultures), rather than a stand-alone activity (Pretorius & Pretorius, 2008).

An important part of a transparent and well-functioning PFM system is an independent and effective oversight function. The Kenya National Audit Office (KENAO) is the main institution for oversight of public expenditure in Kenya (The National Treasury, 2011). According to Office of the Auditor General (2016), IFMIS implementation has encountered various challenges which are: institutional challenges that include the legal framework, business processes, budget and account structure and centralized treasury operations and political challenges which include user resistance, uniqueness in organizations, technical challenges in hardware and software.

A fully functioning IFMIS can be relied on by financial and other managers to govern programs effectively and to prepare budgets and management of resources since it offers real time financial information which can then improve governance. Sound IFMIS systems, when joined with the embracing of centralized treasury operations helps developing country governments to gain effective control over their finances, heighten transparency and accountability, decrease political discretion and also prevents corruption and fraud (Edwin, 2008). He further states that, IFMIS can enable rapid and effective
access to dependable financial data and help reinforce government financial controls, improve the delivery of government services, higher levels of transparency and accountability through an improved budget process, and accelerating government operations.

Transparency can be referred to as free flow of information and its availability to all those who are connected with the decisions. Transparency is meant to empower citizens who become like auditors in society with the right to expression and access to a free press and in contrast, the lack of transparency means there is prevention to access to information or a provision of false information (Hamid & Shaban, 2015). They further state that Transparency is divided into 3 categories which are: clear information which means that people should be aware of the actors and government decisions and have access to government information, transparent partnership, which means that all people should be able to personally or through their representatives take clear political decisions, and clear answer which means that the government or any agency decision-makers, regulators, among others in violation of the law with a serious impact on the interests of the people, should be clearly accountable for their performance to the judicial system and the public opinion.

Transparency is dependent on the partnership of the government officials and the interested parties, where the government officials must make information available, and the interested parties with reasons and opportunities put the information to use where the rules and procedures must be open to scrutiny and be comprehensive (Johnston, 2017).

Transparency also means the quality or state of being transparent, and can be defined as the ability to provide accounting information so that content is clearly visible in the creek (Heritage, 2007). Governmental accounting and financial reporting, is perhaps the most important mechanisms of transparency and paves the official information to the public, thus defining transparency as a condition where people can have access to the government's decisions and activities (Relly & Sabharwal, 2009). Fraud on the other hand is an intentional deceptive practices in order to profit illegally or unfairly (Heritage, 2007).

According to Hamid and Shaban (2015), accountability and transparence are one where people who have access to information and the decisions that are made by the authorities, also have their own accountability and public confidence to maintain and the officials
at different levels of administration such as strategy, planning, and performance should be held accountable which means that people can now have more access to information and decisions adopted in the five levels of play, with more transparency.

A transparent government offers clarity in what is being done, how and why actions take place, who is involved, by what standards decisions are made and it also demonstrates that it has abided by those standards. While transparency requires significant resources and may slow down procedures, it is of importance to interested parties but necessary limits such as legitimate issues of security and the privacy, however, without it “good governance” has little meaning (Johnston, 2017).

True transparency is very important for governments where they not only publish their data on FMIS platforms but also that the data disclosed must be meaningful and provide a complete picture of their financial activities to the general public (Dener & Min, 2013).

There are four sets of criteria of PFM which are: clarity of roles and responsibilities, a budget process that is open, information that is publicly available, and assurances of integrity. The IMF Code of Good Practices on Fiscal Transparency identifies PEFA’s six somewhat different categories which are: credibility of the budget, comprehensiveness and transparency, policy-based budgeting, predictability, and control in budget execution. (International Monetary Fund, 2007).

There are various aspects of transparency according to Hamid and Shaban (2015) which are: transparency and Public oversight, species transparency, budget transparency, accountability and transparency rules, and based accounting and financial transparency which are further discussed below.

2.2.1 Transparency and Public Oversight
Transparency is meant to: empower citizens, produce better governance, administrative and policy-making, make the processes transparent for the people and the state to exercise its powers in playing an active role as citizens which is an important tool to fight corruption whereas a lack of transparency prevents access to information or provides false information, leading to financial crisis (Hamid & Shaban, 2015)
2.2.2 Species Transparency
Transparency has been divided into 3 categories which are: clear information whereby people are aware of whom the actors are, the government decisions and have access to government information, transparent partnership whereby clear political decisions are taken by people either personal or through representatives, clear answer whereby the judicial system and public opinion holds the government or any agency decision-makers, regulators, accountable for their performance and any violation of the law that has a serious impact on the interests of the people (Hamid & Shaban, 2015).

2.2.3 Budget Transparency, Accountability and Transparency Rules
Budgeting and Budget performance report is important in the public sector financial reporting for governments that are responsive. Transparent information must be presented in a way that can be understood by observing the actual performance of state and government activities to be evaluated. Political risk that arises with insistence on policies that are against national interest can be mitigated and strengthened by budget transparency and accountability leading to credit increases and also making budget support for macroeconomic policies public. On the other hand, non-transparent management of the funds leads to instability, inefficiency and inequality causing a budget crisis in one country that could potentially spread to other countries (Hamid & Shaban, 2015).

According to Edwin (2008), a fully functioning IFMIS can be relied on by financial and other managers to govern programs effectively, preparation of budgets and management of resources since it offers real time financial information that can then improve governance. Sound IFMIS systems, when joined with the embracing of centralized treasury operations helps developing country governments to gain effective control over their finances, heighten transparency and accountability, decrease political discretion and also prevents corruption and fraud. He further states that, IFMIS can enable rapid and effective access to dependable financial data and help reinforce government financial controls, improve the delivery of government services, higher levels of transparency and accountability through an improved budget process, and accelerating government operations.
2.2.4 Based Accounting and Financial Transparency

Based accounting is where income and expenses are recognized to determine transparency. Here two basis of accounting are compared and used as a guide to action which are, cash basis and accrual basis whereby cash basis was mostly used in the past by recognition of revenues and expenses during the exchange of cash but since it did not provide any information about how to manage the government's assets and liabilities, accrual basis of accounting was adopted (Hamid & Shaban, 2015).

Governmental accounting and financial reporting is perhaps the most important mechanisms of transparency which paves the official information to the public, where transparency is defined as a condition where people can have access to the government's decisions and activities through informed decisions and the results of the activities of the government (Relly & Sabharwal, 2009).

Previous studies have established that IFMIS has led to the improvement of government services, for instance Lundu and Shale (2015) concluded that IFMIS has enables prompt and efficient access to reliable financial data and helps in strengthening government’s financial controls, improving the provision of government services, raising the budget process to higher levels of transparency and accountability, and expediting government operations. Kiilu and Ngugi (2014) on the other hand argue that the adoption of IFMIS has led to effective management of public funds in Kenya National Treasury. IFMIS has enhanced automation of government processes, enhanced reporting, enhanced record keeping, and enhanced communication, customization of government processes and integration of government processes. According to Nzuve (2012), application of IFMIS led to enhanced effectiveness and transparency of financial management system, as well as offers a standardized integrated financial management reporting system, and provides timely and accurate financial information.

It was also revealed that there is uncertainty on IFMIS leading to the effective management of Public Funds and IFMIS leading to easy access of financial information to external users. This contradicts previous studies done for instance, Njonde and Kimanzi (2014), analyzed the effectiveness of Integrated Financial Management Information System (IFMIS) on performance of public sector in Kenya. The main focus was in four key area namely, financial reporting, budgeting, internal control and
implemented government projects. The study found that IFMIS has been effective in financial reporting, budgeting and internal controls.

Use of IFMIS has improved accountability of public finances and Chêne (2009) concurs and also point out that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft. These include, use of automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross referencing of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and identification of ghost workers. Diamond and Khemani (2006) on the other hand argue that for the systems to be effective there is a need to have a commitment by management to ensure success of the implementation of an IFMIS. Experience indicates that the best designed project will fail without firm commitment from all stakeholders involved.

2.3 Effectiveness of IFMIS in Accounting and Financial Reporting in County Governments

One of the benefits of using an IFMIS system is to improve accounting, recording and reporting through providing timely and accurate financial data (Ministry of Finance, 2013). Other benefits of IFMIS according to Kaimenyi (2016) include production and efficient access to dependable financial data, firming of government financial controls, enhanced provision of government services, increased transparency and accountability. Diamond and Khemani (2005) research on financial management information systems in developing countries established that some of the benefits of an IFMIS are improved recording and processing of government financial transactions which allows prompt and efficient access to reliable financial data that supports enhanced transparency and accountability of the executive to parliament, the general public, and other external agencies.

Kang'ethe (2002) outlines that the goals of implementing any IFMIS for Kenya include 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, and lower transaction costs. The researcher concluded that the Kenyan government has embraced the use of IFMIS to
execute effective financial management in the various government ministries and public institutions.

According to USAID (2008), IFMIS enables information to be recorded into an integrated system which has got common values that enable its users to access the system and extract the specific information needed to carry out different functions and tasks. This therefore means generation of all kinds of reports such as statement of financial position, sources and uses of funds, cost reports, returns on investment, receivables and payables, cash flow projections, budget variances, and performance reports. These reports form standard reports with data that can be used by managers for various purposes for instance: planning and formulation of budgets, examining factual results against budgets and plans, managing cash balances, trailing the status of debts and receivables, observing fixed assets usage, monitor specific departmental or units performance, and creating revisions and modifications as and when necessary. Such reports can also be custom-made to meet the reporting requirements set by external agencies and international institutions.

According to USAID (2008), an IFMIS comprises various components or modules which make use of information to perform different functions. These components are connected to the system through an interface and they vary in terms of scope and functionality. At the center of the system is the General Ledger which makes up the central books of any IFMIS. Every transaction that is keyed into the system posts to the General Ledger. This process begins with the allocation of budget funds done by making commitments to pay for goods and services. This consequently means that all transactions should concurrently post to the General Ledger and to all appropriate sub ledgers /modules in adherence to the rules imposed by a standardized chart of accounts. These records remain as a permanent trail of the history of all financial transactions and are the source of all reports and financial statements (USAID, 2008).

Omokonga (2014) study to determine the effect of integrated financial management information system on the performance of public sector organizations found a statistically significant positive correlation between IFMIS and improved financial reporting. In addition, the relationship between IFMIS’ and improvements in financial transaction processing was also statistically significant and had an impact on better control/governance.
IFMIS accurately discloses the true financial position through the financial statements presented. Odoyo, Adero and Chumba (2014) studied the effect of IFMIS implementation on cash management practices in the public service of Eldoret West District Treasury, Kenya. Study findings showed that reliability and flexibility of IFMIS had a positive effect on cash management. The findings also showed that a reliable system is basically one that is accurate, timely, complete and consistent in collection of information and the infrastructure which supports the IFMIS is supposed to be secure from destruction, corruption, unauthorized access and breach of confidentiality so that there is efficient cash management.

2.3.1 The processes of Government Accounting

According to ATSWA (2013), Government accounting includes the process of recording, analyzing, classifying, summarizing, communicating and interpreting financial information about Government financial transactions. Recording involves the process of documenting the financial transactions and activities in the necessary books of accounts which are cash book, ledger and vote book. Analyzing involves the process of separating transactions according to their distinct nature and posting them under appropriate heads and sub-heads. Classifying involves the grouping of transactions into revenue and expense descriptions and bringing them under major classes as Revenue Head and Sub-heads, with their relevant code numbers of accounts. Summarizing concerns the bringing together of all the classes of accounts and preparing them into reports periodically as are statutorily or organizationally required. Communicating is about making available financial reports on all the government financial activities from the necessary accounting summaries to various interested parties where the style of communication adopted should be un-ambiguous, lucid and devoid of jargons as much as possible and Interpreting which ends the process by giving explanations on what has been reported in the various financial statements and reports, as regards the overall operations and performance of the relevant organization (s). These processes enable the necessary parties and users to take relevant decisions based on their assessments of the reports.

According to Vogt and Rivenbark (2007), there are different basis of accounting for government revenues and expenditures which provides criteria for determining the fiscal year in which such transactions should be recorded in the accounting records and reported in the financial statements. They further state that there are three general basis of
accounting which are cash basis, accrual basis and modified accrual basis. In cash basis, revenue and expenditures are recorded when cash is received or disbursed, in accrual basis, revenues are recorded when they are earned, regardless of when they are received in cash, and expenditures are recorded when the liability is incurred and finally in modified accrual basis, the revenues are recorded when they are measurable and available, and, as with the accrual basis, expenditures, with few exceptions, are recorded when the liability is incurred.

2.3.2 Financial Reporting

Financial reports aim to improve budget compliance and provide a means for internal or external actors to assess government performance (Simson, Sharma & Aziz, 2011). According to Thurakam (2007) for financial reports to serve their objectives meaningfully, they must be relevant, accurate, prompt and authentic. Through IFMIS, information is recorded into an integrated system which has got common values that enable its users to access the system and extract the specific information when they need to carry out different functions and tasks. This therefore means generation of all kinds of reports such as statement of financial position, sources and uses of funds, cost reports, returns on investment, receivables and payables, cash flow projections, budget variances, and performance reports (USAID, 2008).

Chene (2009) asserted that increased availability of comprehensive financial information on current and past performance assists budgetary control and improves economic forecasting, planning and budgeting. The internal controls regulate the cycle of recording, analyzing, classifying, summarizing, communicating and interpreting financial information. IFMIS improves financial controls by availing reliable and timely financial information (Ministry of Finance, 2013). In line with the Public Financial Management Act 2012 (Article 12), the Integrated Financial Management Information System (IFMIS) has been implemented to connect all government ministries, agencies and departments to a core network for purposes of effecting a single public financial management system.

2.4 Effectiveness of IFMIS in the Auditing of County Governments

Some of the benefits of IFMIS include production and efficient access to dependable financial data, firming of government financial controls, enhanced provision of government services, increased transparency and accountability in the budget process, and fast-tracking government operations (Kaimenyi, 2016). Auditing is a technique that
supports auditors in performing test checks where comprehensive examination of all records in an organization’s system is not possible and comprises few selected transactions that are subjected to an exhaustive examination to check for accuracy (Basu, 2006). The main goal of auditing is to provide an independent and objective evaluation of the organization’s adherence to operational, financial and compliance policies whereby this evaluations seeks to identify the business risks, effectiveness and the efficiency of the control systems that should help avoid, reduce and eliminate the risks (Kagermann et al., 2008).

Auditing consists of three components which include the books of accounts, the auditor and, the techniques and procedures of audit (Kagermann et al., 2008). The management has responsibilities when it comes to auditing which are: preparation and presentation of financial statements that have been prepared in accordance with the applicable financial reporting framework, designing maintaining and implementing internal controls in the financial reporting, and providing the auditors with information that is relevant to the financial statements (Gramling et al., 2012). For control purposes, the government is required to adhere with the International public sector accounting standards (IPSAS) which gives an assurance that the financial reporting of public sector contains and conveys true and fair views of the financial position of the financial statements. It takes into account the characteristic features of the public sector however, since they are laid down by the International Federation of Accountants (IFAC) which on its own is a private federation, they have no legally binding force. The International Public Sector Accounting Standard Board was formally known as Public Sector Committee (PSC) and is a board of IFAC, which is formed purposely to develop and issue its own standards to give format for the preparation of Public Sector Financial Reporting. This is aimed at improving the quality and ensures uniformity of financial reporting globally (ATSWA, 2013).

External scrutiny and audit functions have many strengths but there are some weaknesses, which are partly due to the weight placed on them through MOF and line ministries not detecting and addressing irregularities at an earlier stage (PEFA, 2012). PEFA (2012) further identified two PFM weaknesses. Firstly, on the strategic allocation of resources and efficient service delivery where, in strategic allocation of resources, the shortage of a meaningful medium term perspective in budgeting encumbers the linking of spending to policy objectives, that can guide strategic resource allocation, and budget execution
weaknesses and non-compliance with internal controls are detrimental to service delivery which results in wastefulness as compared to the planned. Secondly, on the lack of transparency and comprehensiveness of planned and actual public spending with weaknesses in accounting systems which raises the risk of wasteful spending not being detected and hinders the ability of the external scrutiny function to hold the executive branch of the government to account.

The audit of government and public sector accounts is of significant importance when it comes to public accountability due to transactions involving large sums of money and government audit is different from that of commercial firms since it has special statutes set up, governing acts and provisions however, it still consists some features of commercial audits (Kagermann et al., 2008). An important part of a transparent and well-functioning PFM system is an independent and effective oversight function. The Kenya National Audit Office (KENAO) is the main institution for oversight of public expenditure in Kenya (The National Treasury, 2011). Auditing has become an integral element of government accountability. This reliance on auditors has enhanced the need for standards to guide auditors and allow others to rely on auditors’ work. Standards help ensure that audits are fair, objective, and reliable assessments of government performance (The National Treasury, 2011).

The Public Audit Act (2003) established a more independent office of the Controller and Auditor General and renamed it KENAO. The overall goal for the institution is to improve Government’s accountability to the public through enhanced External Audit capacity. As part of the mandate, the Auditor-General may audit and report on the accounts of any entity that is funded from public funds which includes all funds of the national and County Governments, accounts of all courts, commissions and independent offices established by the Constitution as well as the national assembly, the senate and the county assemblies. The audit report confirms whether or not public money has been applied lawfully and in an effective way, and reports are submitted to parliament or the relevant county assembly. Within three months after receiving an audit report, parliament or the county assembly must debate and consider the report and take appropriate action. KENAO also strives to strengthen institutional cooperation between external audit and other accountability agencies in the Kenya government, including Internal Audit, Efficiency Monitoring Unit, Inspectorate of State Corporations, and the Kenya Anti-Corruption Commission (The National Treasury, 2011)
Though the external audit function is well-established and professional, the reports of the Auditor General do not comply with auditing standards for several reasons: unqualified and disclaimer opinions in the same statement, reasons for disclaimer opinions not adequately explained, matters reported not properly explained, and the reporting requirements of Kenyan law not disclosed (PEFA, 2012).

Previous findings showed that IFMIS has led to the improvement of the audit process. Research by Otieno and Oima (2013) to determine the effect of computerized accounting systems on audit risk management in public enterprises within Kisumu County, Kenya, established a similar trend and they noted that computers facilitate efficiency and that audit risk management was established to be significantly related to assessment and determination of risk, monitoring and evaluation control awareness, technology, attitude, and perception. Otieno and Oima (2013) further posited that there exists a significant relationship between computerized accounting systems and audit risk management in public enterprises.

Other studies revealed that IFMIS has improved the audit function of adding credibility to the financial statement. Omokonga (2014) sought to determine the effect of Integrated Financial Management Information System on the performance of public sector organizations and concluded that IFMIS led to improvements in reporting of true cost per activity, easy data extraction and presentation, improved access to specific financial information, easy trend analysis of fiscal operations, real time reconciliation of data, accurate disclosure of financial position, generation of custom reports, easy access to non-fiscal information and quick provision of year-to-year balances.

2.4.1 Role of IFMIS In Auditing

Omokonga (2014) notes that IFMIS leads to reduction in wasteful expenses and irregular expenditure, streamlined procedures, execution of budgets according to rules, automated procedures and internal controls, enabled tracing of all stages of transaction processing, closer monitoring of bills and cash coupled with friendly and convenient interaction with the public. The researcher found out that IFMIS has led to reduced jurisdictional problems, reduced cases of fraud, enhanced transparency, increased accountability, auditable financial statements, enhanced credibility and confidence of the ministry, enhanced security of information and improved efficiency of public expenditure.
Audit through IFMIS clearly brings out variances in the financial statements. Kaindi (2012) in her study found out that IFMIS influences the impact of internal control systems on the financial performance and can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. Chene (2009) highlighted that the purpose of using IFMIS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making.

Muigai (2012) in his study of Government ministries in Kenya found that IFMIS has significantly contributed to improvement in financial management in Kenya. This improvement from using the system can only be realized if the implementation process is successful. Mugambi (2011) proposes measures such as effective training of technical staff and end users, minimal resistance to change as a result of staff being sensitized on the need for the new system, a core team appointed to oversee the IFMIS implementation process, availability of ICT infrastructure and having a legal and regulatory framework as one of the factors contributing to successful implementation.

Another study sought to determine the influence of IFMIS on financial management in county government of Nakuru, Kenya reported a contrary opinion (Mburu & Ngahu, 2016). The study established that users were able to access IFMIS to derive specific information they require to undertake their tasks, and the system enables reporting of both cash and accruals simultaneously thus it was easy to extract and present reports from IFMIS in ways that facilitate analysis. This study further established that respondents were in agreement that IFMIS enables them to reconcile transactions real time, accurately shows financial status of the county government and that it enhances progressive improvement in information available to decision makers.

2.5 Chapter Summary

This chapter was a review of literature on public financial management in terms of management of funds, accounting, financial reporting, transparency, controls and audit with regards to the effectiveness of IFMIS. Various scholars have highlighted the importance, successes and failures of IFMIS. The next chapter is a description of the research methodology that guided this research work.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter entails the research design used for the study. The purpose of the research design is to enable the study to achieve its purpose and objectives. The chapter therefore discussed the research design, population, sampling design, sampling frame, sampling technique, sample size, data collection methods, research procedures and data analysis methods to be used to guide the study.

3.2 Research Design

This study was based on descriptive research design to establish the effect of Integrated Financial Management Information System (IFMIS) on the effective management of public funds in Kenya. A research design is a scheme for guiding a study with maximum control over factors that may inhibit the validity of the findings (Burns & Groove, 2009). It is also the overall plan for collecting and analyzing data including specifications for enhancing the internal and external validity of the study (Polit, Hungler, & Beck, 2001). The design which gives the smallest experimental error is reported to be the best design in scientific investigation (Shadish, Cook & Campbell, 2001).

According to Burns and Grove (2003), descriptive research is designed to provide a picture of a situation as it naturally happens. They further state that descriptive research design describes phenomena as they exist and generally takes raw data and summarizes it in a useable form. It can also be qualitative in nature if the sample size is small and data are collected from questionnaires, interviews or observations.

3.3 Population and Sampling Design

3.3.1 Population

A population is all the members of an actual hypothetical set of people, event or object to which a research desires to generalize the results of the study (Gall & Borg, 1999). Burns and Grove (2003) describe population as all the components that satisfy the criteria for insertion in a study. The population of study comprised of 134 users of IFMIS at Kiambu County that is officers in finance, procurement, accounts and audit. Burns and
Grove (2003) define eligibility criteria as a list of characteristics that are essential for the membership in the target population.

### Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Department</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Procurement</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Accounts</td>
<td>52</td>
<td>39</td>
</tr>
<tr>
<td>Audit</td>
<td>28</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>134</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Kiambu County Government (2018)*

#### 3.3.2 Sampling Design

A sample is a subset of the population under study and sampling is where a group of people, events or behaviors under study is selected through a process (Grove et al., 2013). Mugenda and Mugenda (2009) state that the design makes available a thorough account of events, relationships, experience or processes accumulating in that specific occurrence.

Sampling design is defined as means of selecting primary unit for data collection and analysis which are appropriate for a specific research question (Handwerker, 2005). The primary unit for data collection in this study was the individual users of IFMIS in the Finance, Accounting, Procurement and Audit departments.

#### 3.3.2.1 Sampling Frame

A sampling frame is the whole list of all the cases in the population where a probability sample is drawn (Saunders, Lewis & Thornhill, 2009). For this research, the sampling frame comprised of 134 available employees of Kiambu County Government in the Finance, Procurement, Accounts and Audit departments that had been targeted as provided by the Human Resource manager Kiambu County Governors office.
3.3.2.2 Sampling Technique

This study used probability sampling which is used in quantitatively oriented studies and involves selecting a relatively large number of units from a population, or from specific subgroups (strata) of a population, in a random manner where the probability of inclusion for every member of the population is determinable (Tashakkori & Teddlie, 2003). The study focused more on stratified probability sampling which involves dividing the population under study into subgroups then randomly selecting the subjects in each stratum (Sekaran, 2006).

3.3.3 Sample Size

Mugenda and Mugenda (2003) state that for a descriptive research, a sample size of 10%-50% is acceptable therefore from the entire population of 134 staff in the county of Kiambu, a sample size of 67 which is half of the number was used.

**Table 3.2 Sample Size**

<table>
<thead>
<tr>
<th>Strata</th>
<th>Sample size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Procurement</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Accounts</td>
<td>26</td>
<td>39</td>
</tr>
<tr>
<td>Audit</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Kiambu County Government (2018)*

3.4 Data Collection Methods

Data refers to all the information a researcher gathers from the subjects, objects or units in the sample. Two types of data are known which are, primary data and secondary data. Primary data refers to the information a researcher obtains from the field during the course of his or her study, i.e. from the subjects, objects or units in the sample. It must be a first-hand account to the researcher and not some report from a third party or a cut-and-paste job from some source such as the Internet (Mugenda & Mugenda, 2009). The researcher used primary sources to collect the data. These primary sources entailed the use of questionnaires completed by targeted respondents working in the various strata’s selected in Kiambu County. For this research, data was collected using structured
questionnaires. Saunders, Lewis and Thornhill (2009) defines a questionnaire as a general term that consists of all data collection techniques whereby each person is asked to answer the same set of questions in a predetermined order. The use of questionnaires allowed the respondents time on questions that would require reflection on, to avoid hasty responses.

The questions were closed ended to be able to compare and limit the opinions of the respondents to the pre determined responses. The questionnaire was divided into four major sections. The first section comprised of the respondents’ demographic profile such as gender, age, highest level of education, department worked for, and position in the organization, among others. The second, third and fourth sections comprised of 5 Likert Scale questions derived from the research objectives which are, the effectiveness of IFMIS on the transparency in Management of public funds in county governments, the effectiveness of IFMIS in accounting and financial reporting in county governments and effectiveness of IFMIS in the audit of county governments respectively. The administration of the questionnaires was the drop and pick method to allow the respondents time to fill the questionnaires and to allow the researcher to achieve the targeted response rate.

3.5 Research Procedures
According to Bryman and Bell (2011), research procedures are the methods that the researcher administers in conducting their study. The researcher designed the questionnaires based on the research objectives. The researcher presented an introduction letter to the county government to allow for research in the county. Pretesting of questionnaires was conducted on 4 respondents each a representative of the targeted departments for validation. After validation of the questionnaires they were then administered personally to the targeted respondents and collected at a later date.

3.6 Data Analysis Methods
Data was collected and analyzed quantitatively where quantitative data was analyzed by use of descriptive statistics such as , frequency distributions, percentages, mean, mode and variance that was established through the use of SPSS. The data was presented in form of tables and figures.
3.7 Chapter Summary
This chapter has described the research methodology that was used for the study. It has discussed the research design, population and sampling design, sampling frame, sampling technique, sample size, data collection methods, research procedures and data analysis methods which was used to guide the study. Chapter four covered the results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results established from the data analysis done. This include the results obtained from analysis of the demography and specific research objectives of the study which was aimed at establishing the effect of Integrated Financial Management Information System on the effective management of public funds in Kiambu County.

The research issued a total of 67 questionnaires and a total of 59 were filled and returned giving a response rate of 88%. This was sufficient for the study as indicated in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>59</td>
<td>88</td>
</tr>
<tr>
<td>Non-response</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 General Information
4.2.1 Respondents Gender

On analysing the gender, the finding revealed that male respondents had the highest representation at 52.5%, while female had a 47.5% representation as shown in figure 4.1.

Figure 4.1: Respondents Gender
4.2.2 Respondents Age Bracket
On analysing the ages of the respondents only 25.4% were aged between 18-29, those of 30-39 were the majority and represented 33.9%, those aged 40-49 were 30.5%, and those above 50 represented 10.2%. This implies that all employees are mature enough hence have sufficient work experience and are capable of effectively managing the IFMIS system at Kiambu county.

![Respondents Age Bracket](chart.png)

**Figure 4.2: Respondents Age Bracket**

4.2.3 Highest Level of Education
On analyzing the respondents education levels, the finding indicated that only 3.4% were certificate holders, diploma holders were however 27.1%, those with a degree were the majority and represented 49.2%, post graduate recorded 20.3%. This implies that the employees are very literate and possess the knowledge in IFMIS operations.

![Highest Level of Education](chart2.png)

**Figure 4.3: Highest Level of Education**
4.2.4 Department worked
On analyzing the departments, the finding indicated that individuals in the accounts were 40.7%, Audit were 20.3%, and procurement were 27.1%, and finance was the least represented at 11.9%.

![Figure 4.4: Department worked](image)

4.2.5 Position in the Organization
A review of the positions the respondents occupy in the firm showed that accountant 1, and internal audit were the most represented at 18.6% respectively although assistant finance, audit assistant, chief supply chain officer, clerical officer and director finance were also represented by at least one representative. This implies that all the relevant departments were fully represented.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant 1</td>
<td>11</td>
<td>18.6</td>
</tr>
<tr>
<td>Accountant 2</td>
<td>6</td>
<td>10.2</td>
</tr>
<tr>
<td>Accountant 3</td>
<td>3</td>
<td>5.1</td>
</tr>
<tr>
<td>Assistant Finance</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Audit Assistant</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Chief Supply Chain Officer</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Clerical Officer</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Director Finance</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Financial Officer</td>
<td>5</td>
<td>8.5</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>11</td>
<td>18.6</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>3</td>
<td>5.1</td>
</tr>
<tr>
<td>Senior Supply Chain Officer</td>
<td>7</td>
<td>11.9</td>
</tr>
<tr>
<td>Supply Chain Officer</td>
<td>8</td>
<td>13.6</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.6 Number of years in the Department
On analyzing the number of years in the department, the finding indicated that only 5.1% had worked for less than a year, 22% had 1-3 years in the department. Those with 4-10 years’ experience were the majority and represented 47.5%, while those with over 10 years in the department were 25.4%. This implies that the employees have had the necessary experience with IFMIS operations.

<table>
<thead>
<tr>
<th>Number of Years in Department</th>
<th>Percentage</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>3%</td>
<td>5</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>13%</td>
<td>22</td>
</tr>
<tr>
<td>4 – 10 years</td>
<td>28%</td>
<td>48</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>15%</td>
<td>25</td>
</tr>
</tbody>
</table>

Figure 4.5: Number of years in the Department

4.2.7. Frequency of the use of IFMIS
Analysis of frequency of the use of IFMIS revealed that Daily users were 18.6%, while weekly users were the majority and represented 45.8%, in addition, monthly users were 25.4% and quarterly users were only 10.2%.

Figure 4.6: Frequency of the use of IFMIS
4.3 Effectiveness of IFMIS on the Transparency in the Management of Public Funds

The first objective sought to determine effectiveness of IFMIS on the transparency in the management of public funds. To achieve this objective respondents were asked to base their argument on a five scale rating where, (1) Strongly Disagree, (2) Disagree, (3) Not Sure, (4) Agree and (5) Strongly Agree.

4.3.1 Descriptive Statistics of IFMIS on the Transparency in the Management of Public Funds

The study established that the utilization of IFMIS systems in Kiambu county has enhanced transparency within the financial system ($m=3.63$, $sd=.692$), as well as enhanced efficiency of the financial processes ($m=3.59$, $Sd=.768$). The system has also improved accountability of public finances ($m=3.59$, $sd=.673$), and enhanced easy access to financial information whenever required ($m=3.71$, $sd=.527$). To establish if IFMIS has strengthened government financial controls, a majority agreed to the statement ($m=3.71$, $sd=.696$), and they also agree that it has led to the improvement of government services ($m=3.66$, $sd=.757$).

Table 4.3: Descriptive Statistics of IFMIS on Transparency in the Management of Public Funds

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. IFMIS enhances transparency within the financial system.</td>
<td>0</td>
<td>3.4</td>
<td>39</td>
<td>49.2</td>
<td>8.5</td>
<td>59</td>
<td>3.63</td>
<td>.692</td>
</tr>
<tr>
<td>9. IFMIS enhances efficiency of the financial processes.</td>
<td>3.4</td>
<td>3.4</td>
<td>27.1</td>
<td>62.7</td>
<td>3.4</td>
<td>59</td>
<td>3.59</td>
<td>.768</td>
</tr>
<tr>
<td>10. IFMIS has improved accountability of public finances.</td>
<td>0</td>
<td>5.1</td>
<td>35.6</td>
<td>54.2</td>
<td>5.1</td>
<td>59</td>
<td>3.59</td>
<td>.673</td>
</tr>
<tr>
<td>11. IFMIS has enhanced easy access to financial information whenever required.</td>
<td>0</td>
<td>0</td>
<td>32.2</td>
<td>64.4</td>
<td>3.4</td>
<td>59</td>
<td>3.71</td>
<td>.527</td>
</tr>
<tr>
<td>12. IFMIS has strengthened government financial controls.</td>
<td>0</td>
<td>3.4</td>
<td>32.2</td>
<td>54.2</td>
<td>10.2</td>
<td>59</td>
<td>3.71</td>
<td>.696</td>
</tr>
<tr>
<td>13. IFMIS has led to the improvement of government services.</td>
<td>0</td>
<td>5.1</td>
<td>35.6</td>
<td>47.5</td>
<td>11.9</td>
<td>59</td>
<td>3.66</td>
<td>.757</td>
</tr>
<tr>
<td>14. IFMIS has improved policy making and governance in Public sector.</td>
<td>0</td>
<td>1.7</td>
<td>33.9</td>
<td>54.2</td>
<td>10.2</td>
<td>59</td>
<td>3.73</td>
<td>.665</td>
</tr>
<tr>
<td>15. IFMIS has led to the effective management of Public Funds.</td>
<td>0</td>
<td>6.8</td>
<td>55.9</td>
<td>27.1</td>
<td>10.2</td>
<td>59</td>
<td>3.41</td>
<td>.768</td>
</tr>
<tr>
<td>16. IFMIS has led to easy access of financial information to external users.</td>
<td>1.7</td>
<td>13.6</td>
<td>44.1</td>
<td>28.8</td>
<td>11.9</td>
<td>59</td>
<td>3.36</td>
<td>.924</td>
</tr>
<tr>
<td>17. IFMIS has improved service delivery to the Public.</td>
<td>1.7</td>
<td>8.5</td>
<td>42.4</td>
<td>39</td>
<td>8.5</td>
<td>59</td>
<td>3.44</td>
<td>.836</td>
</tr>
</tbody>
</table>
As indicated in Table 4.3, the finding also show that utilization of IFMIS has also improved policy making and governance in public sector (m=3.73, sd=.665). The respondents were however not sure if the use of IFMIS had led to the effective management of public funds (m=3.41, sd=.768), or easy access of financial information to external users (m=3.36, sd=.924), neither were they certain of it having the capability to improve service delivery to the public (m=3.44, sd=.836).

4.4 Effectiveness of IFMIS in Accounting and Financial Reporting
The second objective sought to determine effectiveness of IFMIS in accounting and financial reporting. To achieve this objective respondents were asked to base their argument on a five scale rating where, (1) Strongly Disagree, (2) Disagree, (3) Not Sure, (4) Agree and (5) Strongly Agree.

4.4.1 Descriptive Statistics of Effectiveness of IFMIS in Accounting and Financial Reporting
The findings as indicated in table 4.4 show that the utilization of IFMIS by the county government of Kiambu has improved the quality of financial reports (m=3.69, sd=.534), as well as the accuracy in financial reporting (m=3.63, sd=.584). It was also established that IFMIS had improved the county’s accounting processes (m=3.69, sd=.500). The system has also been beneficial towards improving the reliability of financial records (m=3.51, sd=.598). Other benefits that noticed from the analysis included, increased timely financial reporting (m=3.86, sd=.571), improvement in compliance with financial reporting standards (m=3.69, sd=.749) as well as improved reconciliation of financial transactions (m=3.47, sd=.653).

Despite the benefits, there was uncertainty among the users in regards to the system having the capacity to improve presentation of data for easy analysis and interpretation (m=3.44, sd=.595) There was also uncertainty of IFMIS improving the accountability of receipts and payments of public funds (m=3.41, sd=.673) or accurately disclosing the true financial position through the financial statements presented (m=3.42, sd=.700).
Table 4.4: Descriptive Statistics of Effectiveness of IFMIS in Accounting and Financial Reporting

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>18. IFMIS has improved the quality of financial reports</td>
<td>0</td>
<td>1.7</td>
<td>28.8</td>
<td>67.8</td>
<td>1.7</td>
<td>59</td>
<td>3.69</td>
<td>.534</td>
</tr>
<tr>
<td>19. IFMIS has improved accuracy in Financial Reporting</td>
<td>0</td>
<td>1.7</td>
<td>37.3</td>
<td>57.6</td>
<td>3.4</td>
<td>59</td>
<td>3.63</td>
<td>.584</td>
</tr>
<tr>
<td>20. IFMIS has improved government accounting processes</td>
<td>0</td>
<td>0</td>
<td>32.2</td>
<td>66.1</td>
<td>1.7</td>
<td>59</td>
<td>3.69</td>
<td>.500</td>
</tr>
<tr>
<td>21. IFMIS has improved presentation of data for easy analysis and interpretation.</td>
<td>0</td>
<td>1.7</td>
<td>55.9</td>
<td>39</td>
<td>3.4</td>
<td>59</td>
<td>3.44</td>
<td>.595</td>
</tr>
<tr>
<td>22. IFMIS has improved the reliability of financial records</td>
<td>0</td>
<td>0</td>
<td>23.7</td>
<td>66.1</td>
<td>10.2</td>
<td>59</td>
<td>3.41</td>
<td>.673</td>
</tr>
<tr>
<td>23. IFMIS has improved the accountability of receipts and payments of Public Funds</td>
<td>0</td>
<td>3.4</td>
<td>37.3</td>
<td>45.8</td>
<td>13.6</td>
<td>59</td>
<td>3.86</td>
<td>.571</td>
</tr>
<tr>
<td>24. IFMIS has led to timely financial reporting</td>
<td>0</td>
<td>5.1</td>
<td>45.8</td>
<td>45.8</td>
<td>3.4</td>
<td>59</td>
<td>3.69</td>
<td>.749</td>
</tr>
<tr>
<td>25. IFMIS has led to improvement in compliance with Financial Reporting standards</td>
<td>0</td>
<td>0</td>
<td>10.2</td>
<td>39</td>
<td>49.2</td>
<td>59</td>
<td>3.47</td>
<td>.653</td>
</tr>
<tr>
<td>26. IFMIS has improved reconciliation of financial transactions</td>
<td>0</td>
<td>1.7</td>
<td>28.8</td>
<td>67.8</td>
<td>1.7</td>
<td>59</td>
<td>3.42</td>
<td>.700</td>
</tr>
</tbody>
</table>

4.5 Effectiveness of IFMIS in the Auditing of County Governments

The third objective sought to determine effectiveness of IFMIS on the Auditing of County Governments. To achieve this objective respondents were asked to base their argument on a five scale rating where, (1) Strongly Disagree, (2) Disagree, (3) Not Sure, (4) Agree and (5) Strongly Agree.

4.5.1 Descriptive Statistics of Effectiveness of IFMIS in the Auditing of County Governments

To determine effectiveness of IFMIS on the auditing of county governments, the results show that IFMIS has led to the improvement of the audit process (m=3.78, sd=.589), enabled easy access of financial data by the auditors (m=3.71, sd=.617), improved the audit function of adding credibility to the financial statement (m=3.69, sd=.771). In addition, audit through IFMIS clearly brings out variances in the financial statements (m=3.58, sd=.770), and has also led to the improvement of service delivery by auditors (m=3.66, sd=.757).
Table 4.5: Descriptive Statistics of Effectiveness of IFMIS in the County Auditing

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>28. IFMIS has led to the improvement of the audit process</td>
<td>0</td>
<td>0</td>
<td>30.5</td>
<td>61</td>
<td>8.5</td>
<td>59</td>
<td>3.78</td>
<td>.589</td>
</tr>
<tr>
<td>29. IFMIS has enabled easy access of financial data by the auditors</td>
<td>0</td>
<td>5.1</td>
<td>22</td>
<td>69.5</td>
<td>3.4</td>
<td>59</td>
<td>3.71</td>
<td>.617</td>
</tr>
<tr>
<td>30. IFMIS has improved controls in the financial processes</td>
<td>0</td>
<td>15.3</td>
<td>39</td>
<td>42.4</td>
<td>3.4</td>
<td>59</td>
<td>3.34</td>
<td>.779</td>
</tr>
<tr>
<td>31. IFMIS has enabled verification of the truth and fairness of the financial statements</td>
<td>0</td>
<td>3.4</td>
<td>52.5</td>
<td>44.1</td>
<td>0</td>
<td>59</td>
<td>3.41</td>
<td>.561</td>
</tr>
<tr>
<td>32. IFMIS has improved the audit function of adding credibility to the financial statements</td>
<td>1.7</td>
<td>0</td>
<td>39</td>
<td>45.8</td>
<td>13.6</td>
<td>59</td>
<td>3.69</td>
<td>.771</td>
</tr>
<tr>
<td>33. Audit through the IFMIS has met the public expectations on the financial statements</td>
<td>0</td>
<td>5.1</td>
<td>44.1</td>
<td>39</td>
<td>11.9</td>
<td>59</td>
<td>3.47</td>
<td>.935</td>
</tr>
<tr>
<td>34. Audit through IFMIS clearly brings out variances in the financial statements</td>
<td>0</td>
<td>11.9</td>
<td>42.4</td>
<td>30.5</td>
<td>15.3</td>
<td>59</td>
<td>3.58</td>
<td>.770</td>
</tr>
<tr>
<td>35. Audit through the IFMIS has improved reliability of financial statements for external users</td>
<td>0</td>
<td>5.1</td>
<td>35.6</td>
<td>47.5</td>
<td>11.9</td>
<td>59</td>
<td>3.49</td>
<td>.898</td>
</tr>
<tr>
<td>36. IFMIS has led to the improvement of service delivery by auditors</td>
<td>0</td>
<td>10.2</td>
<td>44.1</td>
<td>33.9</td>
<td>11.9</td>
<td>59</td>
<td>3.66</td>
<td>.757</td>
</tr>
<tr>
<td>37. IFMIS has led to the improvement of the auditors independence</td>
<td>0</td>
<td>0</td>
<td>30.5</td>
<td>61</td>
<td>8.5</td>
<td>59</td>
<td>3.47</td>
<td>.838</td>
</tr>
</tbody>
</table>

Despite the benefits mentioned, there was however uncertainty of IFMIS improving controls in the financial processes (m=3.34, sd=.779) or whether it has enabled verification of the truth and fairness of the financial statements (m=3.41, sd=.561). Respondents failing to agree or disagree about IFMIS meeting the public expectations on the financial statements was also very high (m=3.47, sd=.935), improving reliability of financial statements for external users (m=3.49, sd=.898), or leading to the improvement of the auditors independence (m=3.47, sd=.838).

4.6 Inferential statistics

4.6.1 Correlation Analysis

A Pearson correlation analysis was done to establish the relationship between the dependent variable (IFMIS) against other core factors and the result established a positive relationship between IFMIS operations and transparency (r=0.389, P<0.05), accounting...
(r=0.500, P<0.01), auditing effectiveness (r=0.355, P<0.05) as indicated in table 4.6. This implies an increase in IFMIS operations on transparency, accounting and audit.

Table 4.6: Correlation Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>IFMIS Pearson Correlation</th>
<th>IFMIS Sig. (2-tailed)</th>
<th>Transparency Pearson Correlation</th>
<th>Transparency Sig. (2-tailed)</th>
<th>Accounting Pearson Correlation</th>
<th>Accounting Sig. (2-tailed)</th>
<th>Audit Pearson Correlation</th>
<th>Audit Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFMIS</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td>0.389**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>0.500**</td>
<td>0.385**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>0.355**</td>
<td>0.610**</td>
<td>0.330*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.7 Chapter Summary

The chapter presents the results and findings attained from the data analysis done. The first section presents the demography data, in the subsequent section the findings are outlined in line with the specific research objectives which sought to establish the effectiveness of IFMIS on the transparency in management of public funds in County Government, to determine the effectiveness of IFMIS in accounting and financial reporting in County Governments, to determine the effectiveness of IFMIS in the auditing of County Governments. Chapter five will present the discussions, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
The chapter has presented summary based on data collected from the field. The chapter also discusses findings based on literature review. Conclusions and recommendations for improvement and for further studies were also discussed.

5.2 Summary
The purpose of this study was to establish the effect of Integrated Financial Management Information System on the effective management of public funds in County Governments. The study was guided by the research objectives as follows: to establish the effectiveness of IFMIS on the transparency in management of public funds in County Governments, to determine the effectiveness of IFMIS in accounting and financial reporting in County Governments and, to determine the effectiveness of IFMIS in the auditing of County Governments.

This study was based on descriptive research design, which was used to capture the characteristics and dynamics of the population under study. The population of study comprised of 134 users of IFMIS in Kiambu County Government that is, officers in finance, procurement, accounts and audit. Probability sampling and stratified sampling were used to select a sample of 67 respondents. Quantitative data was analyzed using descriptive statistics supported by tables, frequency distributions, percentages, mean, mode and variance that was established through the use of SPSS.

The findings on effectiveness of IFMIS on the transparency in the management of public funds revealed that the system has enhanced transparency within the financial system, efficiency of the financial processes, improved accountability of public finances, as well as enhanced easy access to financial information whenever required. The results also show that IFMIS systems has also strengthened government financial controls, and thus led to the improvement of government services, and policy making and governance in Public sector.

The findings on effectiveness of IFMIS in accounting and financial reporting revealed that its use had improved the quality of financial reports, improved accuracy in financial reporting, as well as government accounting processes. In addition, the utilization of the
IFMIS systems has improved the reliability of financial records, accountability of receipts and payments of Public Funds, and led to timely financial reporting and improvement in compliance with Financial Reporting standards. The study also established that it had aided in the improvement of reconciliation of financial transactions at the county.

The findings based on effectiveness of IFMIS in the Auditing of County Governments revealed that the utilization of IFMIS systems has led to the improvement of the audit process and easy access of financial data by the auditors. It was also revealed that it had improved the audit function of adding credibility to the financial statement by clearly bringing out variances in the financial statements. Finally, the system also led to the improvement of service delivery by auditors in the county.

5.3 Discussion

5.3.1 Effectiveness of IFMIS on the Transparency in the Management of Public Funds

Findings revealed that IFMIS enhances transparency within the financial system. Similar findings were reported by Omokonga (2014) study to determine the effect integrated financial management information system on the performance of public sector organizations. The study found a statistically significant positive correlation between IFMIS and improved financial reporting. In addition, the relationship between IFMIS and improvements in financial transaction processing was also statistically significant and had an impact on better control/governance.

It was revealed that IFMIS enhances efficiency of the financial processes and IFMIS has enhanced easy access to financial information whenever required. This concurs to Edwin (2008) who posits that a fully functioning IFMIS can be relied on by financial and other managers to govern programs effectively, preparation of budgets and management of resources since it offers real time financial information that can then improve governance.

Sound IFMIS systems, when joined with the embracing of centralized treasury operations helps developing country governments to gain effective control over their finances, heighten transparency and accountability, decrease political discretion and also prevents corruption and fraud. He further states that, IFMIS can enable rapid and effective access to dependable financial data and help reinforce government financial controls, improve
the delivery of government services, higher levels of transparency and accountability through an improved budget process, and accelerating government operations.

Findings showed that IFMIS has improved accountability of public finance. This concurs with Chêne (2009) who pointed out that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft. These include, use of automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross referencing of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and identification of ghost workers. Diamond and Khemani (2006) on the other hand argue that for the systems to be effective there is a need to have a commitment by management to ensure success of the implementation of an IFMIS. Experience indicates that the best designed project will fail without firm commitment from all stakeholders involved.

It was established that IFMIS has led to the improvement of government services in Kiambu County. Other studies have also affirmed the same, for instance Lundu and Shale (2015) concluded that IFMIS enables prompt and efficient access to reliable financial data and helps in strengthening government’s financial controls, improving the provision of government services, raising the budget process to higher levels of transparency and accountability, and expediting government operations. Kiilu and Ngugi (2014) on the other hand argue that the adoption of IFMIS has led to effective management of public funds in Kenya National Treasury. IFMIS has enhanced automation of government processes, enhanced reporting, enhanced record keeping, and enhanced communication, customization of government processes and integration of government processes. According to Nzuve (2012), application of IFMIS led to enhanced effectiveness and transparency of financial management system, as well as offers a standardized integrated financial management reporting system, and provides timely and accurate financial information.

It was also revealed that there is uncertainty on IFMIS leading to the effective management of Public Funds and IFMIS leading to easy access of financial information to external users. This contradicts previous studies done for instance, Njonde and Kimanzi (2014) analyzed the effectiveness of Integrated Financial Management Information System (IFMIS) on performance of public sector in Kenya. The main focus
was in four key area namely, financial reporting, budgeting, internal control and implemented government projects. The study found that IFMIS has been effective in financial reporting, budgeting and internal controls as well as implementation of government projects.

5.3.2 Effectiveness of IFMIS in Accounting and Financial Reporting

It was revealed that that in Kiambu County the IFMIS has improved the quality and accuracy of financial reports. These benefits have also been highlighted in previous research, like Kaimenyi (2016) who established that some of the benefits of IFMIS include production and efficient access to dependable financial data, firming of government financial controls, enhanced provision of government services, increased transparency and accountability in the budget process, and fast-tracking government operations.

Findings showed that IFMIS has however led to timely financial reporting. In line to this statement according to Ministry of Finance (2013), one of the benefits of using an IFMIS system is to improve accounting, recording and reporting through providing timely and accurate financial data. Through IFMIS, information is recorded into an integrated system which has got common values that enable its users to access the system and extract the specific information when they need to carry out different functions and tasks. This therefore means generation of all kinds of reports such as statement of financial position, sources and uses of funds, cost reports, returns on investment, receivables and payables, cash flow projections, budget variances, and performance reports (USAID, 2008).

Findings revealed that IFMIS has also improved government accounting processes and reliability of financial records. Diamond and Khemani (2005) research on financial management information systems in developing countries established that some of the benefits of an IFMIS are improved recording and processing of government financial transactions which allows prompt and efficient access to reliable financial data that supports enhanced transparency and accountability of the executive to parliament, the general public, and other external agencies. Kang’ethe (2002) outlines that 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. He concluded that the Kenyan government has embraced the use of IFMIS to execute effective financial management in the various government ministries and public institutions.

Chene (2009) also asserted that generally, increased availability of comprehensive financial information on current and past performance assists budgetary control and improves economic forecasting, planning and budgeting. The internal controls regulate the cycle of recording, analyzing, classifying, summarizing, communicating and interpreting financial information (Diamond & Khemani, 2005). IFMIS improves financial controls by availing reliable and timely financial information (Ministry of Finance, 2013). In line with the Public Financial Management Act 2012 (Article 12), the Integrated Financial Management Information System (IFMIS) has been implemented to connect all government ministries, agencies and departments to a core network for purposes of effecting a single public financial management system.

It was revealed that IFMIS accurately discloses the true financial position through the financial statements presented. Similar results were reported by Odoyo, Adero and Chumba (2014), who studied the effect of IFMIS implementation on cash management practices in the public service Eldoret West District Treasury, Kenya. Study findings showed that reliability and flexibility of IFMIS had a positive effect on cash management. The findings also showed that a reliable system is basically one that is accurate, timely, complete and consistent in collection of information and the infrastructure which supports the IFMIS is supposed to be secure from destruction, corruption, unauthorized access and breach of confidentiality so that there is efficient cash management.

5.3.3 Effectiveness of IFMIS in the Auditing of County Governments

Findings showed that IFMIS has led to the improvement of the audit process. Research by Otieno and Oima (2013) to determine effect of computerized accounting systems on audit risk management in public enterprises within Kisumu County, Kenya, established a similar trend and they noted that computers facilitate efficiency and audit risk management was established to be significantly related to assessment and determination of risk, monitoring and evaluation control awareness, technology, attitude, and perception. Otieno and Oima further posited that there exists a significant relationship between computerized accounting systems and audit risk management in public enterprises.
It was revealed that IFMIS has however improved the audit function of adding credibility to the financial statement. Similar findings were noted by Omokonga (2014) study which sought to determine the effect integrated financial management information system on the performance of public sector organizations. The study concluded that IFMIS led to improvements in reporting of true cost per activity, easy data extraction and presentation, improved access to specific financial information, easy trend analysis of fiscal operations, real time reconciliation of data, accurate disclosure of financial position, generation of custom reports, easy access to non-fiscal information and quick provision of year-to-year balances.

Omokonga (2014) adds that IFMIS also leads to reduction in wasteful expenses and irregular expenditure, streamlined procedures, execution of budgets according to rules, automated procedures and internal controls, enabled tracing of all stages of transaction processing, closer monitoring of bills and cash and friendly convenient interaction with the public. Similarly, IFMIS has led to reduced jurisdictional problems, reduced cases of fraud, enhanced transparency, increased accountability, auditable financial statements, enhanced credibility and confidence of the ministry, enhanced security of information and improved efficiency of public expenditure.

It was established that audit through IFMIS clearly bringing out variances in the financial statements. Kaindi (2012) in her study found out that IFMIS influences the impact of internal control systems on the financial performance. IFMIS can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. Chene (2009) highlighted that the purpose of using IFMIS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making.

It was revealed that respondents could not reach an agreement on whether it has enabled verification of the truth and fairness of the financial statements. This contradicts similar studies by Muigai (2012) in his study of Government ministries in Kenya who found out that IFMIS has significantly contributed to improvement in financial management in Kenya. This improvement from using the system can only be realized if the implementation process is successful. Mugambi (2011) proposes measures such as: effective training of technical staff and end users, minimal resistance to change as a result
of staff being sensitized on the need for the new system, a core team appointed to oversee the IFMIS implementation process, availability of ICT infrastructure, and having a legal and regulatory framework as some of the factors contributing to successful implementation.

Findings showed that respondents could not reach an agreement on IFMIS improving controls in the financial processes. Mburu and Ngahu (2016) are of a contrary opinion, as they established that users were able to access IFMIS to derive specific information they require to undertake their tasks, and that the system enables reporting of both cash and accruals simultaneously thus it was easy to extract and present reports from IFMIS in ways that facilitate analysis. The authors also established that respondents were in agreement that IFMIS enables them to reconcile transactions real time, accurately shows financial status of the county government and that it enhances progressive improvement in information available to decision makers.

5.4 Conclusions

5.4.1 Effectiveness of IFMIS on the Transparency in the Management of Public Funds

The study concluded in Kiambu County, use of IFMIS systems has created transparency, enhances efficiency, enhanced accountability of public finances, increased easy access to financial information and strengthened government financial controls. However, there is slow delivery of service to the public and lack of effective management of public funds.

5.4.2 Effectiveness of IFMIS in Accounting and Financial Reporting

From the analysis it is clear that in Kiambu county, IFMIS has enhanced the quality of financial reports, improved accuracy in financial reporting and improved government accounting processes. Moreover, use of the systems has also improved the reliability of financial records and led to timely financial reporting. Nevertheless, IFMIS does not accurately disclose the true financial position through the financial statements presented and improved accountability of receipts and payments of Public Funds.
5.4.3 Effectiveness of IFMIS in the Auditing of County Governments

Audit process has improved due to the adoption of IFMIS and as result the auditors are able to access financial data. In addition, the audit through IFMIS clearly bringing out variances in the financial statements and IFMIS has led to the improvement of service delivery by auditors and improve audit process. However, audit through the IFMIS has not improved reliability of financial statements for external users.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Effectiveness of IFMIS on the Transparency in the Management of Public Funds

According to the findings of this study, there is slow delivery of service to the public and effective management of public funds. Kiambu County should come up with strategies that will enable them plan, organize, direct and control public funds in the county hence, enable rapid and effective access to financial data and improve the delivery of government services.

5.5.1.2 Effectiveness of IFMIS in Accounting and Financial Reporting

The study recommends that Kiambu County government should ensure that the records kept on accounting and financial reporting is correct and that this data disclose true financial information to its stake holders. There should also be measures in place to account of receipts and payment through verification of data hence, increasing transparency and reducing misuse of funds.

5.5.1.3 Effectiveness of IFMIS in the Auditing of County Governments

Kiambu county Government should continue using the IFMIS as it is reliable and has the capability to enable auditors to access financial information easily hence, increase clarity and uncertainty. Through this, the public will be able to access the information easily and know how the public fund is being used.
5.5.2 Recommendations for Further Studies

The study sought to find the effect of integrated financial management information system on the effective management of public funds in county governments. The study was only done in Kiambu County. Therefore, future research should be done in other counties to identify the effect of integrated financial management information system on the effective management of public funds.
REFERENCES


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APPENDICES

Appendix I: Introduction Letter

NAOMI MUIRURI

UNITED STATES INTERNATIONAL UNIVERSITY, AFRICA

P.O. BOX 72107 – 00200

NAIROBI

January 2018

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN RESEARCH WORK

I am a student at the United States International University - Africa (USIU-A) seeking to earn a Master’s degree in Business Administration (MBA) with a focus in Finance. I am conducting a research to establish the effect of Integrated Financial Management Information System on the effective management of public funds in County Governments. The purpose of this study is to determine to what extent IFMIS affect transparency in management of public funds in County Governments. To determine the effectiveness of IFMIS in accounting and financial reporting in County Governments and to determine the effectiveness of IFMIS in the auditing of County Governments. The research work is therefore using Kiambu County as its case study and you have been selected as one of the respondents.

Kindly spare some of your time to complete the questionnaire. Please respond as genuinely and impartially as possible. Commitment from your end is exceptionally important for the accomplishment of this research.

I assure you that all the information received will be treated as confidential and used only for the purpose of the academic assignment.

Thank you in advance,

Yours sincerely,

NAOMI MUIRURI
Appendix II: Questionnaire

SECTION A: GENERAL INFORMATION

1. What is your gender?

   Male □
   Female □

2. What is your age bracket?

   18 – 29 years □
   30 – 39 years □
   40 – 49 years □
   50 years and over □

3. What is your highest level of education?

   Certificate □
   Diploma □
   Degree □
   Post graduate □
   Any other (specify) ........................................................................................................

4. Which department do you work for?

   Accounts □
   Audit □
   Procurement □
   Finance □

5. Kindly indicate your position in the organizations

   ......................................................................................................................................
6. Number of years in the department?

Less than 1 year ☐
1 – 3 years ☐
4 – 10 years ☐
More than 10 years ☐

7. Frequency of the use of IFMIS

Daily ☐
Weekly ☐
Monthly ☐
Quarterly ☐
Annually ☐

SECTION B: THE EFFECTIVENESS OF IFMIS ON THE TRANSPARENCY IN MANAGEMENT OF PUBLIC FUNDS IN COUNTY GOVERNMENTS.

Please indicate whether you agree or disagree with the following statements by placing a tick (☐) inside the appropriate box

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<td>8. IFMIS enhances transparency within the financial system</td>
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<td>9. IFMIS enhances efficiency of the financial processes</td>
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<td>10. IFMIS has improved accountability of public finances</td>
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<td>11. IFMIS has enhanced easy access to financial information whenever required.</td>
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<td>12. IFMIS has strengthened government financial controls</td>
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<td>13. IFMIS has led to the improvement of government services</td>
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14. IFMIS has improved policy making and governance in Public sector

15. IFMIS has led to the effective management of Public Funds.

16. IFMIS has led to easy access of financial information to external users.

17. IFMIS has improved service delivery to the Public

### SECTION C: THE EFFECTIVENESS OF IFMIS IN ACCOUNTING AND FINANCIAL REPORTING IN COUNTY GOVERNMENTS.

Please indicate whether you agree or disagree with the following statements by placing a tick (□) inside the appropriate box

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<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
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<td>18. IFMIS has improved the quality of financial reports</td>
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<td>19. IFMIS has improved accuracy in Financial Reporting</td>
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<td>20. IFMIS has improved government accounting processes</td>
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<td>21. IFMIS has improved presentation of data for easy analysis and interpretation.</td>
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<td>22. IFMIS has improved the reliability of financial records</td>
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<td>23. IFMIS has improved the accountability of receipts and payments of Public Funds</td>
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<td>24. IFMIS has led to timely financial reporting</td>
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<td>25. IFMIS has led to improvement in compliance with Financial Reporting standards</td>
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### SECTION D: THE EFFECTIVENESS OF IFMIS IN THE AUDIT OF COUNTY GOVERNMENTS.

*Please indicate whether you agree or disagree with the following statements by placing a tick (□) inside the appropriate box.*

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<th>Strongly Agree</th>
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<td>26. IFMIS has improved reconciliation of financial transactions</td>
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<td>27. IFMIS accurately discloses the true financial position through the financial statements presented</td>
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<td>28. IFMIS has led to the improvement of the audit process</td>
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<td>29. IFMIS has enabled easy access of financial data by the auditors</td>
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<td>30. IFMIS has improved controls in the financial processes</td>
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<td>31. IFMIS has enabled verification of the truth and fairness of the financial statements</td>
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<td>32. IFMIS has improved the audit function of adding credibility to the financial statements.</td>
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<td>33. Audit through the IFMIS has met the public expectations on the financial statements.</td>
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<td>34. Audit through IFMIS clearly brings out variances in the financial statements</td>
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<td>35. Audit through the IFMIS has improved reliability of financial statements for</td>
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<td>36. IFMIS has led to the improvement of service delivery by auditors</td>
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<td>37. IFMIS has led to the improvement of the auditors independence</td>
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THANK YOU FOR AGREEING TO TAKE PART IN THE SURVEY