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INTERGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEMS

AND FINANCIAL MANAGEMENT IN UGANDA DISTRICT LOCAL GOVERNMENTS

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Abstract

The paper investigated the impact of the Integrated Financial Management Information System (IFMIS) on financial management within the Ugandan government. While the system has not yet been fully implemented across all Local Governments, it remains a focal point for future plans. This descriptive study employed primary data collection through well-structured questionnaires distributed among 125 respondents. Methodologically, the research involved a literature review, selection of study sites, determination of the population and sampling procedures, and utilization of questionnaires for data collection, which were subsequently analysed using SPSS Version 20. The study aimed to address research questions pertaining to the influence of IFMIS on financial management at the district level. Results indicate a significant positive impact of IFMIS on financial management practices. Additionally, the study identified various integrated financial management information system oracle modules utilized within district Local Governments, including General Ledger, Receivables, Payables, Purchasing, Cash Management, Public Sector Budgeting, and Reports Builder. Challenges in implementation and employee capabilities were noted as hindrances to IFMIS effectiveness, with employee capabilities emerging as a crucial factor influencing IFMIS performance within district Local Governments.

Keywords: Integrated Financial management Information systems (IFMIA)

Introduction:

1.1. Background of the Study

Integrated financial management system (IFMS) is the generic term that has emerged to describe computerized government financial management systems that use the Oracle application and database and the HP UNIX platform which both subscribe to open technologies (Jonjo, 2004). The concept of open technology architectures allows the flexibility to implement interfaces and integrate with other systems for the purpose of sharing data and enhancing efficiency hence aiding IFMS attain proper budgets and use of financial resources (Hyvönen, 2003).

Financial management on other hand refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization through, monitoring and controlling planned expenditure; identifying links between resources, outputs and outcomes to understand and improve value for money; managing risk effectively, to support innovation and mitigate service failure; and ensuring that complex decisions on transforming service delivery are underpinned by robust financial analysis (Om o p a r i o l a, 1986)

Since the 1980s, several major international aid agencies, such as the World Bank and the UK's Department for International Development, have initiated the use of integrated financial management information systems (IFMIS) as a core element in reforming public financial management (PFM) in low income countries with expectation of making information on public finances comprehensive, efficient, secure and transparent (Chêne, 2009).

In 2001, the UK's Department for International Development (DFID) issued its guide on public expenditure management which noted that in "recent years, there had been a dramatic surge of interest in public expenditure issues amongst governments, development agencies and the wider public" (DFID, 2001). The same report (DFID 2001) reveals that the traditional approach to international aid was for the donor agencies to fund individual projects that were expected to have their own bank accounts and often separate financial management arrangements. The increased interest in the state and the realization that all aid was fungible, led to a gradual move away from project aid to general budget support where aid was provided directly to the recipient government to support its general services (IMF, 2003). Although IFMIS was initiated in 1992 in African countries, it was not emphasized at till point till 2003 as by World Bank report (2004)

Economic changes in recent decades and the subsequent debt crisis in many developing countries particularly Africa gave the international financial institutions and the aid agencies the necessary leverage to exert direct influence over public sector financial management reforms in these countries (World Bank, 1999).

In spite of their complexity and implementation challenges, IFMIS have become a core component and driver of public finance reform in many developing countries (World Bank, 2003). By 2005, the World Bank had funded IFMIS projects in 27 countries and the African countries included in this project where South Africa, Ghana, Ethiopia, Tanzania, Kenya and Uganda (Migliorisi et al., 2005).

Among the east African countries of the above same project, IFMIS was initiated in Tanzania in 1994 and by 1998 it had recorded the greatest success after its implementation in 10 ministries, departments and agencies (World Bank 2004).

World Bank Report of 2002 defines an integrated financial management information system as an automated system that is used for public financial management and control, accounting, audit and reporting and budgeting. However, Diamond and Khemani (2005) described IFMIS as a system that tracks financial events and summarizes financial information. Hyvönen (2003) emphasized that IFMIS is more than an accounting system which is configured to operate according to the needs and specifications of the environment in which it is installed.

On the other hand, Agbakoba and Ogbonna (2004) define IFMIS in public service context as the computerization of public financial management (PFM) processes which ranges from budget preparation and execution to accounting and reporting.

According to Scott (1981), Financial management is defined as an integral part of overall management that is concerned with the efficient use of an important economic resource namely, capital funds" and there after aid in financial decision-making. N wa n k w o (1994) also defines

financial management as an area of financial decision-making, harmonizing individual motives and enterprise goals responsible for obtaining and effectively utilizing the funds necessary for efficient operations. Om o p a r i o l a (1986) states that "The difference between financial management in the public and private sectors is that in public agencies you get a bag full of money at the beginning of the year and are told to spend it. In private enterprise you get an empty money bag at the beginning of the year and are told to fill it!"

Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. The perspective originated with the work of (Rose, 1999), who argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority, and the formalization of rules and procedures. Some important contingencies for companies are: Technology, Suppliers and distributors, Consumer interest groups, Customers and competitors, Government and Unions (Lucas, 1978).

Fiedler's (1964) contingency model focused on a contingency model of leadership in organizations. This model contains the relationship between leadership style and the favorableness of the situation. Situational favorableness was described by Fiedler in terms of three empirically derived dimensions:

1. Leader-member relationship: if the leader is generally accepted and respected by followers, the leader – member relationship will be high.
2. Degree of task structure: degree of task structure will only be high if the task is very structured
3. Leader's position power: a great deal of authority and power are formally attributed to the leader's position
Situations are favorable to the leader if all three of these dimensions are high.

(Cho et al., 2003) describes contingency theory in the following manner: "The best way to organize depends on the nature of the environment to which the organization must relate".

According to (Semakula & Muwanga, 2012) in their study on the implementation of the Integrated Financial Management System (IFMS) in Uganda, shows that since 2003 the IFMS has been extended across all 22 ministries and 25 central government agencies. These two also cite that IFMS has been implemented in 8 local Governments with plans to extend it to 6 more districts as part of the first tier IFMS implementation. Using a tier solution offers less complexity; the Government intends to further extend the IFMIS to all local governments. Mbale DLG and the municipality are one of the pilot local Governments under the first tier of IFMIS deployment. Implementation is still picking pace as some core modules and their functionality are yet to be familiarized with the user. Despite deployment, challenges of fund misappropriation in the form of embezzlement and re-channeling of government funds for individual self-gain still poses big threat (Auditor General Report, 2004).

According to Uganda Government Annual Performance Report Financial Year 2013/14 and the auditor general's report of 2013/14, financial management in terms of utilization, budgeting, allocation and reporting on financial resources and their effective utilization in Mbale has

continued to degenerate drastically. From these same auditor general's reports; it is evident that allocated funds to these local governments are always returned to the Centre as result of failure to be utilized. The very reports further sight tendencies of abuse of offices by top district government officials through misuse and mismanagement of the funds.

Financial misuse and mismanagement have been attributed to corruption, lack of budgets, lack of skills and competences to manage funds and the long chain of bureaucracy. The auditor general in a bid to improve financial management in local governments, recommended IFMIS to be rolled out in the different Government entities.

Studies on IFMIS have so far been done in other entities and regions say Kampala capital city authority (KCCA) but not in local governments especially up country thus study seeks to fill this gap (Semakula & Muwanga 2012).

It is upon this background that the research was carried out to establish the effect of IFMIS on financial management in Mbale District

Conceptual framework

The main dependent variable was financial management which ranged from efficiency in expenditure control, resource allocation and improved levels of transparency and accountability (Gauthier, 2001). The independent variable was integrated financial management Information system responsible for financial management. It is envisaged by Ministry of Finance, Planning and Economic Development (MoFPED, 2003) that if clear modules of IFMIS say the general ledger, public sector budgeting, payables, receivables and cash management are implemented then shall financial management be attained of budgetary control and creation, reporting, financial planning, funds acquisition and proper usage and thereafter decision making (Gauthier, 2001).
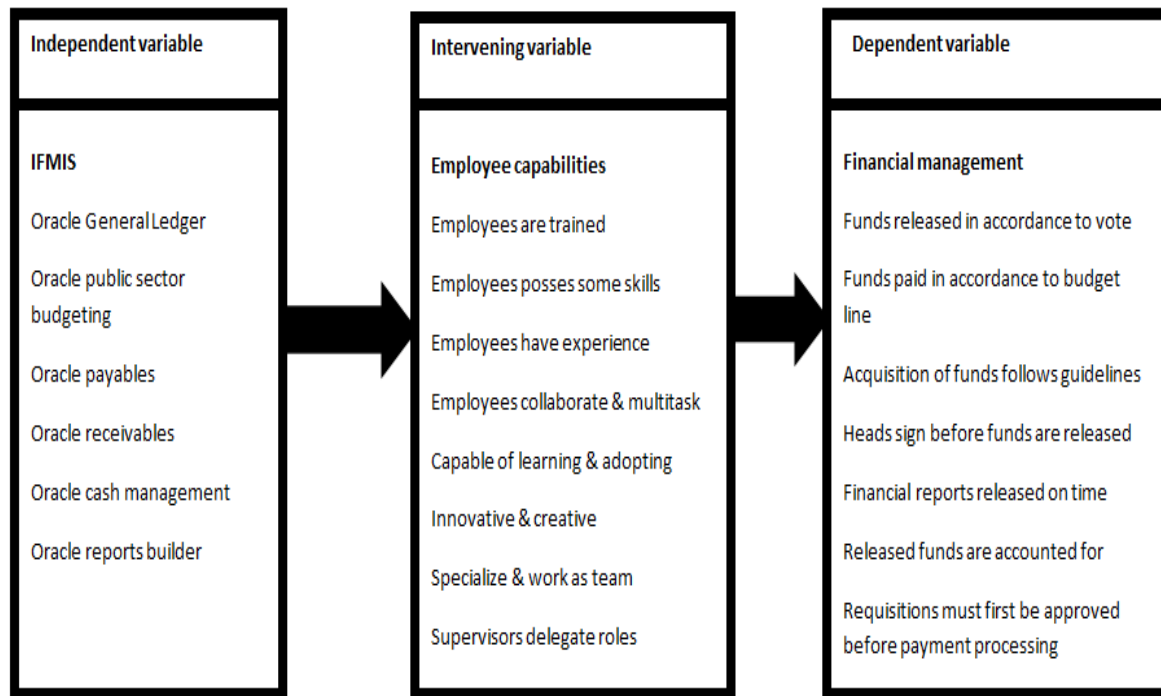
Independent variable

IFMIS

Oracle General Ledger

Oracle public sector budgeting

Oracle payables

Oracle receivables

Oracle cash management

Oracle reports builder

→

Intervening variable

Employee capabilities

Employees are trained

Employees posses some skills

Employees have experience

Employees collaborate & multitask

Capable of learning & adopting

Innovative & creative

Specialize & work as team

Supervisors delegate roles

→

Dependent variable

Financial management

Funds released in accordance to vote

Funds paid in accordance to budget line

Acquisition of funds follows guidelines

Heads sign before funds are released

Financial reports released on time

Released funds are accounted for

Requisitions must first be approved before payment processing

Figure 1.1 Conceptual Frame Work

Sources: (MoFPED, 2003; Nwanko, 2004; Gauthier, 2001 & Gichoya, 2005

Literature Review:

In this section we delved into both theoretical and empirical literature concerning various integrated financial management information systems, assessing their impact on financial management, and examining the mediating role of employee capabilities in the relationship between these systems and financial management.

2.1 Different IFMIS types

The introduction of Integrated Financial Management Systems has become a core component of financial reforms to promote efficiency, security of data management and comprehensive financial reporting (Dorotinsky, 2003; Rodin-Brown, 2008; Diamond & Kheman, 2005)

Rodin and Edwin (2008) further emphasis that IFMIS consists of several core sub-systems which plan, process and report on the use of public resources. According to Brown (2004) the scope and functionality of IFMS can vary across countries, but sub-systems normally include accounting, budgeting, cash management, debt management and related core treasury systems. In addition to these core sub-systems, some countries have chosen to expand their IFMS with non-core sub-systems such as tax administration, procurement management, asset management, human resource and pay roll systems, pension and social security systems and other possible areas seen as supporting the core modules. The types of systems used also depend on the degree

of institutional development or contractual environment in the country (Walsham & Waema, 1988)

IFMIS is an integration of different functionalities using would be stand-alone modules to accomplish overall goal of financial management. These different oracle modules are what make up the different types of IFMIS and they are often built and customized according to the needs of the user. These hence include the general ledger (Jonjo, 2004; Gichoya, 2005; Anirudhan, 2013; Hyvönen, 2003; Diamond and Khemani, 2005; Chêne, 2009), public sector budgeting module (World Bank, 2002; Leclerc et al., 1986;Hyvonen, 2003;Leclerc et al., 1986; R o s e, 1999; Rodin, 2008), oracle payables module (Collins, 2001; Lynnette, 1994; Fountain, 2001; Gauthier, 2001), oracle receivables module (Seshadri, 2005; Gichoya, 2005; Fahy, 2000; Rodin, 2008; Cavinato, 2000), oracle purchasing (Anderson and Weitz, 1986; Fjelstad, 2001; Cavinato, 2000; Trent, 1999; Burt, 1996; O'Connell, 2005; Hugos, 2006), oracle cash management (Rodin, 2008; Nishiguchi, 1994; O'Connell, 2005; Farelo & Morris, 2006; Jonjo, 2004; Orlikowsk, 1992; Allan & Hashim, 1999) and oracle reports builder (Fiedler, 1964; Bowman & Branchaw, 1988; Hugos, 2006; Davis and Olson, 1985; Rodin, 2008).

2.1.1 General Ledger Module

Anirudhan (2013) describes general ledger as a standard component comprising of central warehouse of system accounting information. He further asserts that its transactions result from other system modules that transfer into the General Ledger in the form of accounting entries.

Hyvönen (2003), on the other hand, emphasizes that General Ledger module is the central warehouse of accounting and management data which receives transaction data from other modules and ensures the observance of double entry principle so as to obtain current balance sheet at any moment. Diamond and Khemani (2005) view the General Ledger as a module that further supports various types of accounting entries including periodic, reversed, and statistical as well as supporting foreign currency posting.

2.1.2 Public Sector Budgeting Module

Public Sector Budgeting provides a complete and integrated solution that allows users to prepare and maintain a comprehensive budget that includes position budgeting for personnel services, general operating, and capital budget components. Apart from the creation of budgets users can also project accurate budgets and revise projections for accurate what-if analyses (World Bank, 2002). Public Sector Budgeting Module has major components which include worksheets (Leclerc et al., 1986) and the financial analyzer (Hyvonen, 2003).

2.1.3 Oracle Payables Module

Payable's workbenches ease the finding of critical information for example with use of Invoice Workbench, you can find an invoice based on supplier, purchase order number, status, or other criteria hence simplifying review distributions, scheduled payments, payments, holds, and another detailed invoice information (Gauthier, 2001)

2.1.4 Oracle Receivables

Oracle Receivables allows you to streamline invoicing, receipt, and customer deduction processing while improving cash flow, optimizing customer relationships, and providing strategic information. As a sub ledger, Oracle Receivables provides the flexibility to meet the demands of a global market with strong financial controls to assist in instilling corporate and fiscal discipline (Seshadri, 2005).

2.1.5 Oracle Purchasing

Oracle Purchasing is a comprehensive procurement solution designed to help purchasing professionals reduce administration costs, process requisitions and purchase orders, requests for quotation, and receipts quickly and efficiently in end leading to value Analysis and development of strategic supplier relationships as well as management of the procurement process (Fjelstad, 2001)

2.1.6 Oracle Cash Management

(Rodin, 2008) defines oracle Cash Management as an enterprise cash management solution that helps you effectively manage and control your cash cycle (Nishiguchi, 1994; O'Connell, 2005) as well as provide comprehensive bank reconciliation (Farelo & Morris, 2006; Jonjo, 2004) and flexible cash forecasting(Orlikowsk, 1992; Allan & Hashim, 1999; Jonjo, 2004;).

2.1.7 Oracle Reports Builder

Oracle Reports Builder is the report-building component of Oracle Reports, a powerful enterprise reporting tool that enables you to rapidly develop and deploy sophisticated web and paper reports against any data source. Organizations need accurate, timely, objective and concise information to make effective decisions and one way they can obtain such information is from a report (Fiedler, 1964). A report according to Bowman & Branchaw (1988) can be defined as organized presentations of information to a specific audience, for the purpose of helping an organization achieve its objective"

2.2 Extent to which IFMIS has influenced financial management

Governments in developing countries are increasingly exploring methods and systems to modernize and improve public financial management. Over the years, there has been an introduction of the Integrated Financial Management Information System (IFMIS) as one of the most common financial management reform practices. The scope and functionality of an IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Chêne 2009). The increased use of integrated information systems pervades private and public sector organizations. Various authors have observed the increased use and impact of information technologies on organizational activities in private sector (Moore, 1995; Orlikowski, 1992). In the same way, public sector has advocated for the use of automated financial management information systems in various government institutions (O'Connell, 2005; Lucas, 1978; Jonjo, 2004; Hyvönen, 2003; Van der Hoek, 2005) consequently IFMIS has often been viewed as a driver of financial reform in developing countries (Peterson, 2006).

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

In addition, IFMS also seeks to strengthen the efficiency of financial controls by making comprehensive, reliable and timely financial information available to the Auditor General, parliament, investigative and prosecutorial agencies, etc., as they improve accounting, recording and reporting practices through the provision of timely and accurate financial data, a standardized integrated financial management reporting system and an upgraded computerized accounting system. When they work well, they make bank reconciliation automatic and allow a closer monitoring of outstanding bills and cash in bank accounts, (Cho, et,. al 2003).

Cho et al., (2003) argues that an IFMS is an information system that tracks financial events and summarizes financial information. In the private sector, such systems provide critical support for management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, IFMS systems must be designed to support distinctly public sector functions. They must be able to handle and communicate all the financial movements for the complex structure of budget organizations.

Diamond and Khemani (2008) further mention that IFMIS enables the generation of all manner of reports such as: balance sheets, sources and uses of funds, cost reports, returns on investment, aging of receivables and payables, cash flow projections, budget variances, and performance reports of all types. Some systems have libraries consisting of hundreds of standard reports. Managers can use this information for a variety of purposes; to plan and formulate budgets; examine results against budgets and plans; manage cash balances; track the status of debts and receivables; monitor the use of fixed assets; monitor the performance of specific departments or units; and make revisions and adjustments as necessary, to name a few.

Casals and Associates (2004) have argued that more developed financial systems promote or "lead" to economic growth. A well-developed financial system may assist in the mobilization of savings and facilitate investment by identifying credit-worthy borrowers, polling risk and reducing transaction costs. Other economists have, however, emphasized that IFMIS can have negative impacts on financial management of an institution (Olander, 2007; IMF, 2006; Baser and Morgan. 2008).

Studies carried out by DFID (2001) revealed that financial sector development promotes economic growth and can also reduce poverty. Results of the study conducted by OECD (2011) revealed that a well-functioning financial system is critical to long-term growth of a country

An IFMIS allows users anywhere within the IFMIS network to access the system and extract the specific information they need. A variety of reports can be generated to address different budgeting, funding, treasury, cash flow, accounting, audit and day-to-day management concerns (IMF, 2006). Diamond and Khemani (2005) explain that IFMIS role is to connect, accumulate, process, and then provide information to all parties in the budget system on a continuous basis. All participants in the system, therefore, need to be able to access the system, and to derive the specific information they require to carry out their different functions.

As a management tool IFMIS also enables management to do the following: control aggregate spending and the deficit, prioritize expenditure across policies, programs and projects to achieve efficiency and equity in the allocation of resources, make better use of budgeted resources, namely, to achieve outcomes and produce outputs at the lowest possible cost (O'Riordan, 2011). In other words, the benefits anticipated in implementing IFMIS are: enhanced governance, reduced fraud, transparency and accountability, and better monitoring and evaluation (Barber, 2011).

According to Rijneveld (2012) the goal of financial managers, including controllers and treasurers, is to manage an organization's money as efficiently as possible. They achieve this goal by collecting payables as soon as possible, making payments at the latest time allowed by contract or law, ensuring that sufficient funds are available for day-to-day operations and taking advantage of opportunities to accrue the highest yield on funds not used for current activities. Barber (2013) also pointed out that in order to effectively manage the government's cash flow and prevent arrears from accumulating, it is important to monitor the pipeline of future payments.

According to Diamond (2005), an IFMIS has for long time helped in tracking financial events and summarizing financial information. It supports adequate management reporting, policy decisions, fiduciary responsibilities and the preparation of auditable financial statements. The interface between IFMIS and other functionalities has been largely manual raising the possibilities of errors in reports and accounting statements.

In the sphere of many governmental institutions operations, IFMIS adoption generally guides the transition of task in the public financial management processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for the purpose of financial management (OECD, 2011).

Rodin (2008) argues that the integrated IFMIS is able to respond effectively to citizen's demands. He further asserts that it enhances policy-makers' ability to organize data around significant issues instead of the expenditure or object classification, which is under the existing, fragmented systems in exchanging information and facilitates efficient information sharing.

Soreide (2002) submits that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft. These include, for example, automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross-referencing of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and

identification of ghost workers. One of the functions where fraud has always been rampant within government is the procurement function. IFMIS works towards a leaner and fraud-proof process of supplier management.

World Bank (2002) highlights that IFMIS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programs. By tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability in the budget cycle as a whole.

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

Some empirical studies have however established to the contrary. The study by World Bank Report (2008) attempted to explore the effects of FMIS on publishing open budget data and identify potential improvements in budget transparency, and provide some guidance on the effective use of FMIS platforms to publish open budget data. The study identified twenty (20) key and twenty (20) informative indicators drawn from the public finance websites of 198 economies to assess the status of government websites for publishing open budget data from FMIS.Study by IMF (2006) established that despite the widespread availability of 176 FMIS platforms used by 198 governments around the world, good practices in presenting open budget data from reliable FMIS solutions are highly visible in only 24 countries (12%).)

2.3 The mediating Effect of employee capabilities in relation between integrated financial management information system and financial management

The United Nations Development Programme (UNDP) defines capacity as "the ability of people, institutions and societies to perform functions, solve problems, and set and achieve objectives" (UNDP, 2002). The Strengthened Approach to public finance management reform emphasizes the importance of moving from diagnosis to implementation and in particular building country public finance management capacity, although OECD (2006) stresses that country governments, are ultimately responsible for capacity development.

A study conducted by Dorotinsky (2003) on bank funded IFMIS projects, found out that only 21% of IFMIS projects were successful, only 6% of the projects were considered sustainable.

As established by Diamond et al. (2005) in "Introducing Financial Management Information Systems in Developing Countries," on the introduction of IFMIS in developing countries established that, first; the decision to introduce an IFMIS needs to be accompanied by strong commitment, sufficient manpower and financial resources, widespread internal support, and an

agenda for effective change management. Second, the introduction of an IFMIS in a developing country should be regarded as a component of a wider reform process. Third, the implementation strategy both in terms of functionality and number of entities needs to be phased.

The Government of Uganda has experienced problems with the new managers hired by the Government. The overarching concern being low capacity and is still the major issue (Semakula & Muwanga, 2012).

According to murray (2007) every public manager must be bothered and should devote effort, as a priority, to understand, building and deploying capacity to perform effectively.

Barber (2013) noted that organizational capacity plays an important role in achieving "high-performing" local government organizations. He further emphasized that although local governments in many developing countries have been imbued with basic administrative capabilities and access to at least a minimal level of human and financial resources, few local governments have developed the organizational capability to engage their constituents in a proactive way and to address the needs of local constituents in a responsive and effective manner.

Chêne (2009) noted that capacity building is a major factor affecting the success of IFMIS implementation, especially in developing countries since IFMIS comprises more than only implementing a project; but also planning for capacity building. A comprehensive training programme is therefore vital for the success of the project and is essential in unlocking client readiness to ensure sustainability of a system (Vickland & Nieuwenhuijs, 2005). Therefore Programs must ensure they build government staff's capacities, especially in countries with low IT capacities and a low retention of well-trained staff in the public sector (Chêne, 2009).

Vickland & Nieuwenhuijs (2005) further emphasized that capacity building and training should also always be part of the early stage of needs assessment and must identify various user groups and assess their level of knowledge.

According to Diamond & Khemani (2006) the effective implementation, operation and maintenance of an IFMIS requires staff with the necessary knowledge and skills. Lack of capacity is regarded as one of the main causes for the delay in the implementation process experienced by Ghana. He diamond further cites that emphasis that was put on capacity building through training in Tanzania was one of the main contributors to their success.

Brar (2010) argues that low capacity for system implementation at the sub-national level, such as provincial and regional governments, is one of the major challenges in the implementation of an IFMIS in developing countries. Maake (2007) and Farelo & Morris (2006) also affirm that the human resource development issue within government needs prioritization, the education system needs to be aligned with the information and communication technologies (ICT) demands of the country and scarce ICT skills need to be attracted and retained particularly within government.

Rodin-brown (2008) on the other hand emphasized that given the nature of institutions and organizations in the developing countries; capacity building should be ongoing and permanent.

Rozner (2008) warns about the resistance that may occur when a company implements IFMIS reforms and recommends that the best way to overcome resistance to change is through clear communication, education and training as well as through "quick wins" that demonstrate the benefits of the change.

Baser and Morgan (2008) argue that effective organizations have five (5) core capabilities that are required for it to create value for its stakeholders. These are the capabilities to act and commit, the capability to carry out functions or tasks (to deliver), to relate to external stakeholders (to attract resources and support), to adapt and self-renew, and finally, to achieve a certain degree of coherence within the organization. They go on and assert that the existence, effectiveness and interrelationships of these capabilities are critical to the effectiveness of an organization or system

The capacity of any public service organization relates to their ability to get things done, to address challenges, follow through on commitments and ultimately to achieve valued outcomes for citizens (O'Riordan, 2011).

Methodology:

This describes the research methods that were employed in conducting the study. It provides details regarding research design, population of the study, sampling procedures and techniques, a description of data collection instruments that were used, as well as the techniques that were used to analyze data collected.

3.1 Research Design

The researcher used a quantitative method in data collection and analysis. Descriptive, cross sectional and regression research designs were employed in the study, with quantitative approaches. Descriptive design describes what exists and may help uncover new facts and meanings (Mathooko, 2011). Cross sectional design was applied in this study because data was collected from different departments at the same time. Regression design was applied in this study to establish the effect of integrated financial management Information systems on financial management.

3.2 Study Population

The target population in this study constituted 185 employees from both the District and Municipal council of Mbale. Each of these Local governments has eleven (11) departments i.e. management & support, finance, statutory bodies, production, health, education, works, Natural resources, community based, planning unit and finally internal audit. The number of officers in the various departments in each district is outlined in Table 3.1.

Table3.1Number of officers in each department

DEPARTMENT	Municipal	District
Management & support	11	12
Finance	9	10
Statutory bodies	6	6
Production	13	16
Health	5	11
Education	6	7
Works	10	10
Natural resources	7	6
Community based services	9	12
Planning Unit	4	4
Internal Audit	5	6
Total population size	**85**	**100**
Sample size	**57**	**68**

3.3 sampling techniques

For a total population size of 185, the sample size was 125 as to Morgan & Krecjie table. To get the number of respondents to be included in the study from each local government, proportionate stratified sampling technique were employed.

District sample size is (100/185) *125 = 68

Municipal sample size is (85/185) *125 = 57

Proportionate stratified sampling was used to determine the actual number of respondents per department to be involved in the study as outlined in Table 3.2 and Table 3.3 below:

District Local government

N = Total population = 100

n = Sample size = 68

Table 3.2 Number of respondents per department in district LG

Department	Population	Ratio	Sample size
Management & support	12	12/100	(12/100) *68 = 8
Finance	10	10/100	(10/100) *68 = 7
Statutory bodies	6	6/100	(6/100) *68 = 4
Production	16	16/100	(16/100) *68= 11
Health	11	11/100	(11/100) *68 = 7
Education	7	7/100	(7/100) *68 = 5
Works	10	10/100	(10/100) *68 = 7
Natural resources	6	6/100	(6/100) *68 = 4

Community based services	12	12/100	(12/100) *68 = 8
Planning Unit	4	4/100	(4/100) *68 = 3
Internal Audit	6	6/100	(6/100) *68 = 4
Total	**100**		**68**

Municipal Local government

N = Total population = 100

n = Sample size = 68

Table 3.3 Number of respondents per department in Municipal LG

Department	Population	Ratio	Sample size
Management	9	9/85	(09/85) *57 = 6
Finance	9	9/85	(09/85) *57 = 6
Statutory bodies	6	6/85	(06/85) *57 = 8
Production	13	13/85	(13/85) *57 = 8
Health	6	6/85	(06/85) *57 = 4
Education	7	7/85	(07/85) *57 = 7
Works	10	10/85	(10/85) *57 = 7
Natural resources	6	6/85	(06/85) *57 = 4
Community based services	10	10/85	(10/85) *57 = 7
Planning Unit	4	4/85	(04/85) *57 = 3
Internal Audit	5	5/85	(05/85) *57 = 3
TOTAL	**85**		**57**

3.4 Research instruments

The study used self-administered questionnaire, structured with only closed questions because of the delicacy of the topic. The self- administered questionnaire was constructed in such a way that it had two sections. Part A: had the Bio data of the respondents, Part B: contained the independent variables of the study that is integrated financial management information system, the dependent variable financial management and the intervening employee capabilities. They were developed on a five (5) point Liker's scale, that's strongly agree, agree, neutral, disagree, and strongly disagree. The questionnaire was administered to the respondents after getting official permission from the respective authorities of the district local governments.

3.5 Validity and reliability of instruments

Validity refers to the extent at which an empirical measure accurately reflects the concept it intended to measure. The researcher used the Content Validity Index (CVI) to establish whether

the questionnaire measured what it was intended to measure. Validity was computed by dividing the total number of items declared relevant by total number of items presented. After the computation and checking of the construct validity the instrument was considered valid when the content valid index was found to be greater than 0.7. The formula below was used in the computation.

CVI =   Relevant items   =   55/69   = 0.797
            Total number of items

Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated results. (Reneau, 1987) citing Chronbach. Reliability ensures the degree of consistency/stability hence it involves examining several times, as the researcher will be checking for reliability in relevance, clarity and ambiguity of items in the instrument. The Statistical Package for Social Science version 20 (SPSS) was used to determine the coefficient of reliability. After pre-testing the tool, the reliability at Cronbanch's alpha coefficient was 0.783, and since the value of the alpha coefficient was greater than 0.7 the questionnaire was considered reliable for use in the data collection.

Table 2.4 Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.783	.778	69

3.6 Data Analysis

After collecting quantitative data, it was processed using SPSS V20. Data was pre-coded, summarized and then entered into SSPS for analysis. Data collected was tabulated to show the frequency and percentages of different variables involved in the study.

The researcher used descriptive statistic to analyze for frequency count and percentages basically in the bio data, while Regression analysis was used majorly on objective 2 and 3.

Also, a five Likert scale when entering in SPSS was used to assign codes on response options where a 5 was for strongly agree, 4 for agree, 3 for neutral, 2 for disagree, and 1 for strongly disagree.

3.7 Data Collection Procedure

The designed questionnaire based on the research questions were administered to the sample population to obtain data relevant to the study. These questionnaires were administered to the sample size after authorization by the concerned local governments, prior to presentation of an introduction letter from the university affirming purpose of the research.

3.8 Ethical considerations

The researcher presented a letter of introduction from Uganda Christian University to remove doubt and suspicion from the respondents about miss use of collected information. Confidentiality is top key priority and this was upheld at all cost. There was as well acknowledgement and giving credit where due deserved for works not belonging to researcher. The researcher all through abided by all the ethical research considerations.

ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter four is the presentation, analysis and interpretation of the findings to the study. The presentation was based on the objectives of the study and it includes a computation of the rate of response rate and the demographic data of the respondents.

4.1 Response Rate

Response rate in survey research refers to the number of people who answered the survey divided by the number of people in the sample usually expressed in the form of a percentage (a day, 1996). An assessment of the response rate was done first on the collected data before taking on any analysis of whatever form. This was done by dividing the number of the respondents who were involved and given the data collection tools or questionnaires by the targeted categories of respondents.

The response rate for data collection methods varied particularly depending on their work schedule of the respondents. The response rate was 89% which is viewed as an important indicator of survey quality because higher response rates assure more accurate survey results. The variation in the response rate among different categories of respondents was due to different reason depending on the category of respondents. For instance, some respondents were quite

busy and therefore, difficult to access while others were not so busy and so were accessed easily.

Table 4.1 below presents the results.

Table 4.3 Summary of Population of Study and Sample Size

Data Collection Method	Sample Size	Actual no	Rate of Return
Questionnaires Responses	105	118	89%

Source: Primary data 2016

4.2 Demographic Data of Respondents

Information needs to be provided about participants about age, gender, race/ethnicity, SES/educational level and languages spoken. Provision of these characteristics aids in the interpretation of results (Beins, 2009). Without inclusion of such information, researchers' risk assuming the instance of absolutism, "the phenomena of interest are the same regardless of culture and race/ethnicity." (Beins, 2009)

Therefore, in this respect, the present study included the demographic characteristics of the respondents as presented below. However, this was data for those who completed the questionnaires.

4.2.1 Gender of respondents

Majority of respondents were female represented by 59% whereas male respondents were represented by 41% (Figure 4.1). This indicates a fairly balanced ratio of the males to the females. In other words, the proportion of females was slightly more than that of males a clear representation that local government constituted more females than their counter parts.
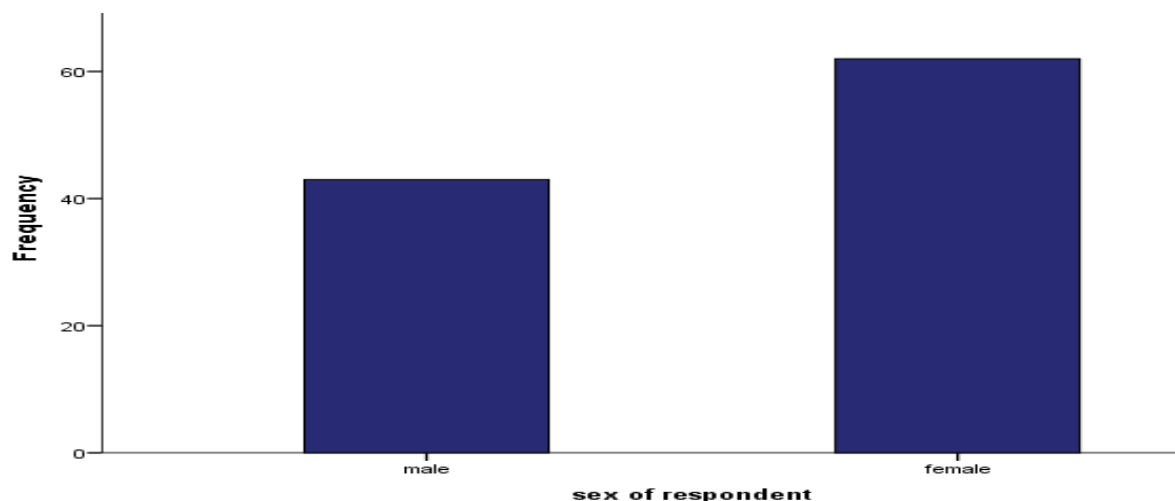
Figure 4.1 Gender of respondents

4.2.2 Age composition of respondents

The ages of the respondents ranged from 18 to 59 years (Table 4.2). Majority of the respondents (93%) were between ages of 18 and 47 years. However, respondents with age bracket 28 to 37 years and 38 to 37 years had equal and highest (31%) percentage representation whereas the least percentage (3%) was of respondents within the age bracket of 58 years and above. This implies that the majority of the respondents were still in their youthful age.

Table 4.4 Age of respondents

Age	Frequency	Percentage
18-27	32	31
28-37	33	31
38-47	33	31
48-57	4	4
58-above	3	3
Total	105	100

4.2.3 Educational Level

The respondents were required to indicate their highest qualifications. The results from the study indicated that the level of education of respondents varied (Figure 4.2). Thirty five percent of the respondents had bachelor's degree as their highest qualification whereas respondents with master's degrees were represented by only 7%.
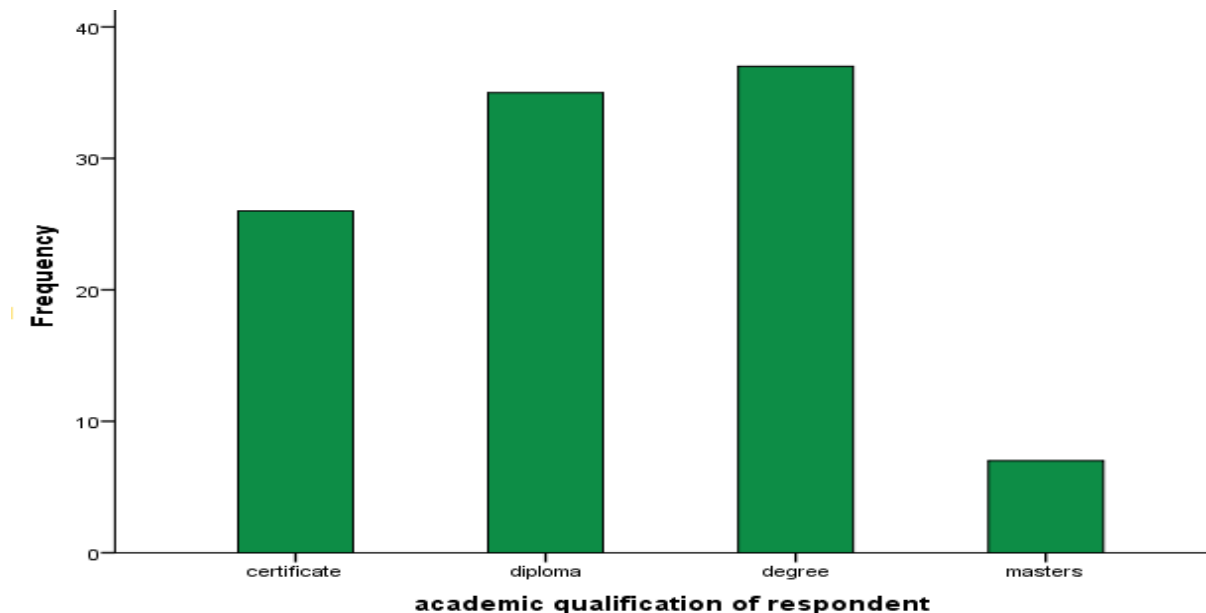
Figure 4.2 Academic qualifications of respondents

4.2.4 Department of respondent

The respondents were drawn from different departments as reflected in Table 4.3 below. It was found out that most of the respondents were drown from finance and planning with percentage representation of 51%. Twelve percent of the respondents were from management and administration and procurement departments whereas audit and natural resources had least percentage representation of 10%.

Table 4.5 Department of respondents

Department	Frequency	Percentage
Finance and planning	53	51
Management & Admin & procurement	13	12
Community based & production	17	16
Audit & natural resource	10	10
Health & engineering	12	11
Total	105	100

4.2.5 Working experience

The working experience of the respondents also varied (Figure 4.3). Majority of the respondents (56%) had working experience between 0-5 years. Respondents who had worked for 11-15 years

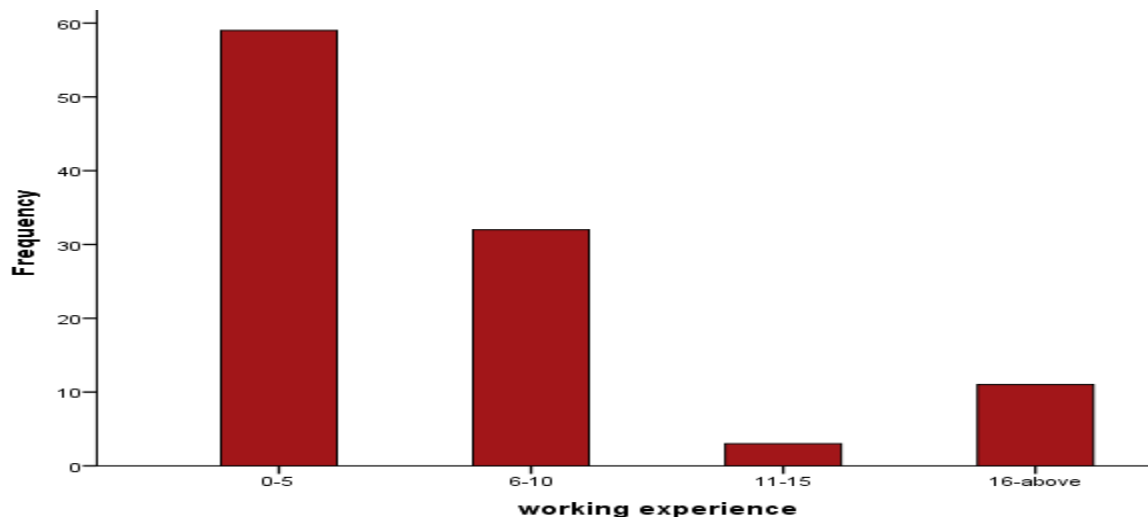had least percentage (3%) representation. Respondents with 16 years and above were represented by 11%.

Figure 4.3 working experience of respondents

4.2.6 Marital status of respondents

Results indicate that 67% of the respondents were married, 25% single whereas 5% were divorced as seen in (Figure 4.4)

Figure 4.4 Marital status of respondents
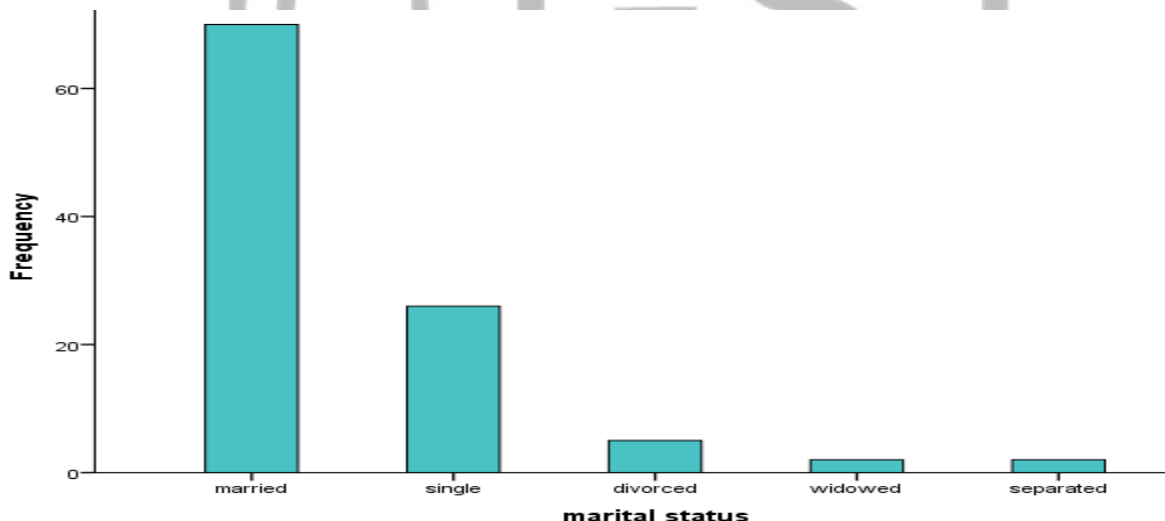
4.3 The integrated financial management information system oracle modules at District Local Governments.

The respondents were required to indicate whether the different integrated financial management information system oracle modules where at the District Local Governments. The variables rather modules of IFMIS used for investigation included oracle general ledger, oracle public

sector budgeting, oracle payables, oracle receivables, oracle purchasing, oracle cash management and finally oracle reports builder.

Findings relating to existence of different integrated financial management information system oracle modules at Mbale District found out that there was high knowledge among respondents (μ = 3.7995). However, from a point of view of each particular module, there was slight variation about knowledge of each module as seen below (Table 4.4). From the very table it is evident that there is high knowledge about each individual module with mean ranges of 3.62 to 3.95. The study also revealed that level knowledge and its usage significantly (χ^2 =420.000, df =236, p= 0.000) depended on the user department.

Table 4.6 Knowledge on existence of Individual IFMIS modules

	Mean	Remark
Existence of general ledger module	3.89	High
Existence of public sector budgeting	3.79	High
Existence of oracle payables	3.81	High
Existence of oracle receivables	3.95	High
Existence of oracle purchasing	3.84	High
Existence of oracle cash mgt	3.70	High
Existence of oracle report builder	3.62	High
Valid N (listwise)	3.7995	High

Legend

Mean	Description
0-1	very low
1.1-2	low
2.2-3	Moderate
3.1-4	High
4.1-5	Very High

4.4 Extent to which integrated financial management information systems oracle modules have influenced financial management at District Local Governments.

The study aimed at establishing how the various IFMIS oracle modules of general ledger, public sector budgeting, payables, receivables, purchasing, cash management and reports builder have influenced financial management.

4.4.1 General ledger oracle module on financial management

Results from regression analysis (Table 4.5) revealed that general ledger oracle module had a significant effect on financial management (R^2=16.5%, F=20.335, p<0.01). In terms of contribution, it was found that general Ledger oracle module significantly associates positively (β=0.406, t=7.364, p<0.01) to financial management. This implies that positive change in general ledger oracle module will lead to positive change in financial management.

Table 4.7 Regression coefficients for general ledger and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.592	.352		7.364	.000
	General ledger	.406	.090	.406	4.509	.000

R^2=0.165, f=20.335

4.4.2 Public sector budgeting oracle module on financial management at districts

From table 4.6 below, results from regression analysis revealed that oracle public sector budgeting module had a significant effect on financial management (R^2=33.2%, F=51.249, p<0.01). In terms of contribution, it was found that oracle public sector budgeting module significantly associates positively (β=0.576, t=4.724, p<0.01) to financial management. This implies that positive change in oracle public sector budgeting will lead to positive change in financial management.

Table 4.8 Regression Coefficients for public sector budgeting and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.666	.353		4.724	.000
	oracle public sector budgeting	.689	.096	.576	7.159	.000

R^2=0.332, f=51.249

4.4.3 Payables oracle module on financial management at districts

Oracle payables module according to results from regression analysis (Table 4.7), did reveal that it had a significant effect on financial management (R^2=16.1%, F=19.703, p<0.01). It was also found out that this same module in terms of contribution significantly associates positively (β=0.401, t=6.341, p<0.01) with financial management. This implies that positive change in oracle payables will lead to positive change in financial management.

Table 4.9 Regression Coefficients for oracle payables and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.455	.387		6.341	.000
	oracle payables	.466	.105	.401	4.439	.000

R^2=0.161, f=19.703

4.4.4 Receivables oracle module on financial management

Results from regression analysis (Table 4.8) revealed that oracle receivables module had a significant effect on financial management (R^2=37.3%, F=61.300, p<0.01). In terms of contribution, it was found that oracle receivables module significantly associates positively (β=0.611, t=5.094, p<0.01) with financial management. Implying that positive change in oracle receivables will contribute a positive change in financial management.

Table 4.10 Regression Coefficients for oracle receivables and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.655	.325		5.094	.000
	oracle receivables	.705	.090	.611	7.829	.000

R^2=0.373, f=61.300

4.4.5 Purchasing oracle module on financial management

Regression analysis (Table 4.9) revealed that oracle purchasing module significantly effects on financial management (R^2=20.8%, F=27.009, p<0.01). Contribution of oracle purchasing module was found to significantly associate positively (β=0.456, t=7.446, p<0.01) with financial management. This implies positive change in oracle purchasing will contribute a positive change in financial management.

Table 4.11 Regression Coefficients for oracle purchasing and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.466	.331		7.446	.000
	oracle purchasing	.486	.094	.456	5.197	.000

R^2=0.208, f=27.009

4.4.6 Cash management oracle module on financial management

Results from regression analysis (Table 4.10) revealed that oracle cash management module had a significant effect on financial management (R^2=17.1%, F=21.295, p<0.01). In terms of contribution, it was found that oracle cash management module significantly associates positively (β=0.414, t=6.783, p<0.01) to financial management. This implies positive change in oracle cash management module will contribute a positive change in financial management.

Table 4.12 Regression Coefficients for oracle cash management and financial

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.486	.367		6.783	.000
	oracle cash mgt	.465	.101	.414	4.615	.000

R^2=0.171, f=21.295

4.4.7 Reports builder oracle module on financial management

Results from regression analysis (Table 4.11) revealed that oracle reports module had a significant effect on financial management (R^2=15.1%, F=18.281, p<0.01). In terms of contribution, it was found that oracle reports module significantly associates positively (β=0.388, t=8.731, p<0.01) to financial management. This implies positive change in oracle reports will contribute a positive change in financial management.

Table 4.13 Regression Coefficients for oracle reports builder & financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.807	.321		8.731	.000
	oracle reports builder	.366	.086	.388	4.276	.000

R^2=0.151, f=18.281

4.5 IFMIS on financial management at districts

The model summary of regression analysis (Table 4.12) revealed that IFMIS system had a significant effect on financial management (R^2=28.1%, F=41.617, p<0.01). In terms of contribution, it was found that the IFMIS system significantly associates positively (β=0.536, t=4.426, p<0.01) to financial management. This implies positive change in IFMIS system will contribute to a positive change in financial management.

Table 4.14 Regression Coefficients for IFMIS system and financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.702	.385		4.426	.000
	IFMS system	.678	.105	.536	6.451	.000

R^2=0.281, f=41.617

4.6 Establishing the intervening effect of employee capabilities in relationship to Integrated Financial Management Information system and financial management

Regression tables below aided in identifying how crucial the different employee capabilities among these being: Employees being well trained in handling IFMIS, Possession of some skills which help speed IFMIS, experience in dealing with IFMIS, ability to collaborate & multitask all IFMIS functions, learning & adopting to changes, innovative & creative with dealing with challenges, specializing & working as a team when handling IFMIS and Supervisors delegating some roles have helped IFMIS operation in district local governments attain financial management. Kenny and Baron (1986) mediation criteria were used in testing for the mediation effect on employee capability on the relationship between IFMIS and financial management.

4.6.1 Intervening effect of employee capability in relation to IFMIS and financial management

The intervening effect of employee capability on the relationship between Integrated financial management information system and financial management was established to be significant at R^2=82.3%, f=308.372, p<0.01. In terms of contribution to the model, IFMIS was found to have insignificant contribution (β=0.087, t=1.778, p<0.05) to financial management in the presence of employee capabilities, which employee capabilities was a significant contribution (β=0.859, t=17.561, p<0.01). This implies that IFMIS influence on financial management will greatly vary with the level of employee capabilities.

Table 4.15 Regression Coefficients for intervening of employee capabilities to IFMIS & financial management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.702	.385		4.426	.000
	IFMS system	.678	.105	.536	6.451	.000
2	(Constant)	.408	.206		1.978	.051
	IFMS system	.110	.062	.087	1.778	.078
	employee capabilities	.848	.048	.859	17.561	.000

R^2=0.823, f=308.372

Discussion:

5.1 Introduction

This chapter presents discussion of findings of the study based on collected and analysed data. The main purpose of the study was conducted to find out the effect of Integrated Financial Management Information Systems on Financial Management in district local governments specifically Mbale district local government and the municipal council.

5.2 The different integrated financial management information system oracle modules at Mbale District Local Governments.

The first objective of the study was to identify the different integrated financial management information system oracle modules at Mbale District and municipal council Local Governments. In order to identify these all the oracle IFMIS modules among these oracles general ledger, oracle public sector, oracle payables, oracle receivables, oracle purchasing, oracle cash management and the oracle reports builder were used for this assessment to find out whether there was any major role played by these.

The results revealed that some of the modules where popular among respondents and others where less popular. Popularity was very much especially dependent on user department where respondents new about an IFMIS module more as result of use and interface with this in his or her own department. Collectively the modules of IFMIS are highly well known of in terms of existence and usage in the various district departments.

The results of the study are in line with those of diamond & khemani (2005) which revealed that the level of IFMIS awareness by employees of the Government ministries was 100%. He also found out that 70% of the departments used IFMIS a clear indication that line ministries of

especially finance in countries of deployment of IFMIS where among many things prioritizing usage of this for public finance reforms as required by donor agencies.

This is also in agreement with the results of my study which also noted that the level of usage of IFMIS significantly depended on the department as indicated by the Pearson's chi square analysis results. Chene (2009) also affirms that usage of IFMIS depends on the level of awareness of the system and capacity of the user departments. The results also revealed that Mbale district in its major drive to enhance public finance reforms, has sensitized its employees about IFMIS though districts should be cautioned that awareness is not all it takes but rather just a tip of the ice bag.

5.3 IFMIS modules and financial management at district local governments

Findings reveal that some aspects of financial management have been attained while others a minimal or rather little has been achieved. IFMIS composition of various modules each play a part of the big picture of financial management and therefore individual contribution of each module leads to a sizable amount of financial management attained in the end.

5.3.1 Oracle General ledger and financial management at local governments

The findings revealed that though there was little knowledge about the general ledger it was inevitable not to notice its great contribution to financial management. Being a primary component or module that draws information from all the other modules, most respondents did not directly interface with it or even know of its existence but that did not stop them agreeing to attaining of proper recording of all information entering and leaving district among many more other contributions as result of general ledger.

Findings are in line with Reneau and Grabski (1987) who suggest that information systems especially the core accounting modules are used by accountants and other key decision makers that employ the accounting information or make use of the accounting data.

According to Economic Review (2013) it suggests that there has been remarkable improvement in access to fiscal information since the inception of IFMIS as a well-designed IFMIS Chart of Accounts can provide a number of features that may help detect excessive payments, fraud and theft.

Sound IFMIS systems, coupled with the adoption of centralized treasury operations, can not only help developing country governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud (USAID, 2004).

5.3.2 Oracle Public sector budgeting and financial management at local governments

There was keen interest in this particular module of public sector budgeting where responds however much agreed that a lot hard been achieved in terms of budgets being generated on time and easy and friendly to use, more still needs to be down especially with the accuracy and even distribution of resources to various departments. However, some still questioned how the funds are spent and whether the spending did really fall in line with budget line.

However according to GOK (2011) and Peterson et al (2008) these somehow deviated from finding above where they believed IFMIS budgeting enables prompt and efficient access to reliable financial data and help strengthen 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.

Other similar findings suggest that "successive budgets have seen a remarkable switch in the planned composition of spending towards the social sectors generally and those components believed to impact most on poverty reduction in particular. However, the crucial question is how these budgeted shifts get translated into actual expenditures" (Bevan and Palomba, 2000).

Forster and Mijumbi (2002) also in their findings argue that basic financial control while sticking to the budget could benefit improvement in Uganda as, for example, "money lost in Government offices to corruption has averaged Ugandan Sh. 200bn per annum since 1993, equivalent to more than 15% of public expenditure over the period", however the Auditor-General of Uganda stated that this is a highly debated statistic, which does not constitute a credible estimate.

Bevan and Palomba (2000) also in line with findings believe successive budgets have seen a remarkable switch in the planned composition of spending towards the social sectors generally and those components believed to impact most on poverty reduction in particular. However, their doubt is orchestrated in how these budgets get translated into actual expenditures.

Early findings by Dorotinsky (2003) suggested that, if success was defined on the basis of budget, time and deliverables, then only 21% of these projects were successful with Africa registering fewer achievements than other regions

5.3.3 Oracle Payables and financial management at local governments

The payables module just like the rest of other modules did as well have little fame among responds but undeniably contributing to financial management significantly. Though it's easy to now truck payments advanced out as well as managing district payroll at district levels, respondents still cited and faulted on the delays in receiving their salaries which was attributed to the rigid bureaucratic tendencies and lengthy verification process.

Diamond & Kheman (2008) in line with above findings also proposed establishment of interfaces with the National Bank payment information system, Kenya Revenue Authority and the Ministry of Labor for payroll and human resource management modules.

Galera & Youngson (2011) suggested similarly in their findings while investigating the role of IFMIS in enhancing transparency and accountability in public financial management in developing countries, that fully functioning IFMIS payables can improve governance by providing real-time financial information and manage resources. They further asserted that sound IFMIS systems, coupled with the adoption of centralized treasury operations, can not only help developing country governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud.

5.3.4 Oracle Receivables and financial management at local governments

Findings also reveal that receivables play a significant role in financial management at the districts. Respondents in consensus agreed that releases to the districts by central government was timely and collection of revenues and tax dues was better, however challenges still presented in form of failure to account for the released funds and failure to absorb all funds hence return to the central depository.

Jobe (2009) also asserts that integrating financial management systems will enable state corporations: Increase ability to undertake control and monitoring of expenditure and receipts in Government Departments; Increase ability to access information on financial and operational performance; increase ability to access information on Government's cash position and Information on Economic performance; and increase ability to demonstrate accountability to donors and the public.

5.3.5 Oracle Purchasing and financial management at local governments

Purchasing module positively influences financial management by 21% according to the findings. Respondents seem to agree that there is some level of attained timely procurement of goods, proper keeping of procurement records and shortened procurement process. It is also evident that purchasing still under performs due to chain of vote controllers that must first approve requisitions and the still length guidelines provided before procuring.

Similar finding by World Bank (2001) depict that the level of payment arrears has been reduced, despite possible under-recordings, hence observing that the "reduction of the arrears of goods and services appears generally to be as a result of the introduction of the commitment system"

5.3.6 Oracle Cash management and financial management at local governments

Cash management has significantly influenced financial management by 17% as to the findings with respondents citing challenges of lack of transparency in cash handling and poor projections for future funds resulting into failure to utilize. However, credit has been given to payments being issued in accordance to plan and only after approval by those charged with the vote. Bank reconciliations are made easy as result of funds following certain guidelines.

One research report finding claimed to "demonstrate that while cash management is still a problem, it has still been possible for the Government of Uganda to deliver some major shifts in expenditure more or less according to plan. There has been a substantial and sustained increase in the share going to education; the share going to roads has also risen, but in a more volatile way" (Bevan and Palomba 2000). They further notice in same findings no increase, as a proportion of total expenditure, in the spending on education since 1997/98 or for health since 1995/96. However, they are shocked that, absolute funding rose in these two areas. The actual spending on education grew by over 50%, compared to an overall increase of recurrent expenditure of 35% over the period from 1994/95 to 2002/03.

Other findings also note that while the IFMIS controls expenditure against releases from the Exchequer, it cannot do so directly against the relevant budgetary ceiling. Accounting Officers

can therefore allow expenditure in excess of the relevant budget head, thus informally diverting funds from the priority areas for which they were originally intended (World Bank, 2001).

5.3.7 Oracle Reports and financial management at local governments

Findings indicate a 15% contribution of IFIMS reports to financial management at Mbale district local governments with results in agreement that reports are not just generated on time but also user friendly and easy to use, however accuracy of these is still in question and this is often a back bone onto which critical decisions are taken. Hence fourth said, the kinds of decisions being taken might pose big challenges in the near future.

Findings in Tanzania also concur with our findings where it is believed that IFMIS has provided the Government of Tanzania with the capacity to produce timely central government fiscal reports with internal budget reports being available within two weeks before the end of each month. (World Bank and IMF, 2004)

5.4 IFMIS and financial management at local governments

Findings show that IFMIS has only accounted for 29% of financial management at the district local governments. This is also backed with the many designs, implementation and functional challenges it's faced with.

Studies by Dorotinsky (2003) however differ as they cite existence of a positive correlation between IFMIS and financial performance of public financial systems with presentation of evidence in reduction in response time, enhanced ability to generate reports, improved data security, and provision of remote access that limit chances of possible fraud and improper spending.

5.5 effect of employee capability in relationship to integrated financial management information system and financial management at district local governments

It is very evident that employee capability plays 82% contribution in performance of IFMIS at district local governments. In consensus to above findings other scholars (Jobe, 2008, Casals, 2009 and Bartel, 2006) have as well asserted that IFMIS implementation involves considerable human resources requirements and capacity building needs throughout the entire government. They further note that low level of computer literacy in developing countries must first be adequately addressed before such projects can be truly viable. The lack of staff with required IT-knowledge cannot be easily remedied by training and hiring. The current salary structure and terms of employment in the public sector are usually not attractive enough to compete with private sector employment conditions and to incentivize candidates with required IT-skills. There is also a risk that trained staff leaves for better job opportunities (Bartel, 2006)

Studies by Bird (2003) cite that IFMIS allows for the preparation of detailed reports on costs by activity and program, but still "there is a problem of limited capacity in the Ministry of Finance and district local governments to specify and analyze IFMIS reports"

In similar studies in Tanzania, success of IFMIS was built on fact that Prior to its introduction, a computerized central payment system was in use since 1996 and building on this experience, IFMIS suffered less challenges unlike in other countries of Africa. (World Bank, 2001)

There is need that introduction of an IFMIS be accompanied by strong commitments, sufficient manpower and financial resources, widespread internal support and an agenda for effective change management (World Bank, 1994).

Frequent factors identified in the failure of IFMIS include: ineffective project coordination; loose design and planning; inadequate technology; the lack of high-level commitment; institutional resistance to change; and a lack of capacities sufficient for IFMIS among the staff involved. Conversely, experiences with IFMIS programs in high-, middle- and low-income countries point to factors typical of any good programming, such as a sound design, capabilities for program management, and adequate allocation of resources and human capacities to the project (Chêne, 2009).

Some authors emphasize that improvements are best made through a gradual strengthening of existing processes and skills (Chêne, 2009). This strategy works with existing requirements and develops user's knowledge and capacity, which are usually limited in low- and middle-income countries. As a result, this strategy is more likely to mitigate the risks associated with IFMIS

Training should begin from the start of the IFMIS program (Chêne, 2009). It needs to start with those most immediately affected by the IFMIS deployment. Broader and permanent training should also be developed and implemented

Conclusion:

6.1 Introduction

This study was conducted to establish the effect of integrated financial management information systems on financial management at the district local governments specifically Mbale. The other objectives of the study were to identify the different integrated financial management information system oracle modules at Mbale District Local Government; to establish the extent to which integrated financial management information systems oracle modules have influenced financial management at District Local Governments; to establish the intervening effect of employee capabilities in relationship to Integrated Financial Management Information system and financial management. This chapter presents the summary of the findings followed by a brief discussion, conclusions and recommendations.

6.2 Summary

The study as hinted on above sought to investigate the effect of integrated financial management information systems on financial management at the district local government of Mbale. The research design that was employed in this study is descriptive design. The study population constituted of the employees at both the district local Government and Municipal council of Mbale. The study used both primary and secondary data. Primary data was collected using structured questionnaires. Collected raw data was cleaned and edited for completeness and

consistency. Data was analyzed by use of the linear regression. Statistical Package for Social Sciences (SPSS, v20) was used to aid in quantitative data analysis in this study. The results were presented in tables with outputs also presented using descriptive statistics like the mean score and standard deviation.

The results of the study indicated that the IFMIS has played a very vital role in financial management especially since its introduction. However, it is also evident that IFMIS could achieved even much more had it not been for the lacking employee capabilities that have cut it short.

6.3 Conclusions

The researcher found out that there was existence of the IFMIS with all the modules of General ledger, public budgeting, payables, receivables, cash management, purchasing and reports builder. However, level of knowledge and usage of a particular module depended on the user department.

The researcher further found out that these IFMIS modules contributed significantly to financial management in the district in several ways which included improvement in collection of taxes, tracking of debtors, on time payment of suppliers, on time procuring of goods and shortening of procurement process, transparency in cash handling and cash forecast, generation of timely and accurate budgets and easy generation of fiscal reports with well managed budgets.

 The intervening effect of employee capabilities strongly affected the relationship between Integrated Financial Management Information system and financial management implying that employee capabilities boost the performance of the IFMIS.

6.4 Recommendations

Some of the below are the recommendations drown from the findings of the study for betterment of the status quo

As clearly very well seen of the role of employee capabilities in attaining financial management by IFMIS, it would be in best interest on focusing on how to develop these among various employees especially those directly interfacing more often with IFMIS

The IFMIS systems adopted by local governments should rather be customized as contrary to the off the shelve systems that have lots of complicated functionality which hinder deliverance of proper financial management and usage of employees.

The ministry should devise means of linking the IFMIS to various other independent enterprise distributed systems such as that of Uganda revenue Authority and the integrated payroll and personnel management information system.

6.5 Suggestion for Further Studies

The study focused on how the integrated financial management information systems have affected financial management at the district local governments which was an Eye opener to fields of challenges of the IFMIS other than employee capabilities that need to be researched.

The study also identified the development flaws presented by IFMIS which would compel one into researching best practices for IFMIS system developments and how to cope with the flaws currently presented in these systems.

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APPENDICES
APPENDIX I: QUESTIONNAIRE

My name is Nafuye Ivan, a student at Uganda Christian University pursuing Masters in Business Administration conducting a research study on **Integrated Financial Management Information Systems and Financial Management in Mbale District Local Government**. The researcher therefore, humbly requests you to fill this questionnaire with the relevant and current information. The information you will give in this questionnaire will be treated with ***confidentiality.*** Therefore, you are not required to write your name on this questionnaire. I thank you in advance for completing and participating in this important study.

 The questionnaire is divided into two sections, **Section A,** is about the Bio data and **Section B** is about questions related to the specific objectives of the study.

INSTRUCTIONS

Please tick in the right box against the right answer or fill in the blank space provided below a specific question.

SECTION A. DEMOGRAPHIC CHARACTERISTICS

Q1. What is your sex?

Mal☐   Fema☐

Q2. In which Age bracket do you fall?

18-27yrs, 28-37yrs, 38-47yrs, 48-57yrs, 58- above
☐   ☐   ☐   ☐   ☐

Q3. In which departments do you work?

....

Q4.How long have you worked in that department?

0 - 5yrs   6 -10yrs   1 - 15yrs   16- above
☐   ☐   ☐   ☐

Q5. What is your highest level of academic qualification?

Certificate☐   Dipl☐   ☐ e   ☐ters☐   PhD   ☐e of

these

Q6. What is your marital status?

Married☐   Sing☐   Div☐   W☐(er)   ☐rated

SECTION B

Instructions;

Please tick in the right box against the right response by indicating whether you Strongly Agree (**SA**), Agree (**A**), Neutral **(N),**Disagree (**D**), Strongly Disagree (**SD**), with the following views as part the question.

Objective one:

Q1. In your view do you consider the following to be the integrated financial management information system oracle modules used at the District Local Government?

INTERGRATED FINANCIAL MANAGEMENT STSTEM MODULES	OPINION				
	SA	A	N	D	SD
General Ledger					
Oracle Public Sector Budgeting					
Oracle Payables					
Oracle Receivables					
Oracle Purchasing					
Oracle Cash Management					
Reports Builder					

Q2.Please indicate your opinion towards the extent to which integrated financial management information systems oracle modules have influenced financial management at District Local Governments by ticking the most appropriate box

	OPINIONS				
	SA	A	N	D	SD
There is proper record of all transactions entering the district					
Proper record of all outgoing transaction in the district					
Proper financial information within the district					

Financial transactions are in line with general accepted accounting rules					
Improves budget planning and execution					
IFMIS has improved financial management					
The district budgets are generated on time					
The generated budgets are easily understood					
It's easy to project and analysis accurate budgets by users					
Available resources are evenly distributed to the various departments					
Accountability for resource use is easy					
Has enhanced confidence and credibility of the budget					
Improved budget planning and execution					
Payments to suppliers are made on time					
Salaries are advanced in time					
Payments can easily be tracked					
Instills corporate and fiscal discipline					
Eliminates redundancies and centralize control					
Taxes are easily remitted and filled					
It allows for decentralization of financial functions and processes					
Revenues and tax dues are fully collected					
Payments are easily monitored and tracked					
Central bank EFTS and releases received on time					

There is proper description and track of active debtors					
Proper assessment of taxes bases					
It reduces administrative tasks and civil servant work load					
Goods are purchased on time					
The procurement process is shorter and easy					
Right and credible suppliers' are sourced					
It enhances Proper record keeping in procurement process					
Reduced corruption and compromise in procurement process					
It promotes economic growth of the districts					
Funds are spent on intended works					
Easy bank statement reconciliation					
There is improved and flexible cash forecast					
Transparency in cash handling and management					
Effective management of cash flow cycle					
fiscal reports generated on time with ease					
Reports are user friendly and easy to use					
reports are accurate and reliable					
IFMIS Reports aid in critical decision making					
There is Improved reporting and accounting to supervisors					

Q3. Do you think the below mentioned financial management has been attained by IFMIS in the district

	OPINIONS				
Financial management	SA	A	N	D	SD
Released funds are in accordance to the vote					
All funds are paid in accordance to the budget line					
Acquisition of funds follows guidelines as provided by ministry					
Before funds are released heads of departments must sign					
Financial reports are released in time					
All released funds are eventually accounted for					
All requisitions must first be approved before processing payments					

Q4. Would you consider some of the below employee capabilities to have boosted performance of IFMIS in the district

Employee capability	SA	A	N	D	SD
Employees are well trained in handling IFMIS					
Possession of some skills by employees which has speed IFMIS					

Employees have experience in dealing with IFMIS					
Employees can collaborate & multitask all IFMIS functions					
Employees are capable of learning & adopting to changes					
Employees are innovative & creative with dealing with challenges					
Employees have specialized & work as a team when handling IFMIS					
Supervisors delegate some roles to ensure continued running					

APPENDIX II: MORGAN'S TABLE

Sample size (s) for the given population sizes (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	300	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384