

**INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM AND  
QUALITY OF FINANCIAL REPORTING IN NAIROBI CITY COUNTY  
GOVERNMENT, KENYA**

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## DECLARATION

This research project is my original work and has not been presented for award of degree in any other university.

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## SUPERVISOR

This research project has been done under my supervision as the university appointed supervisor.

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## **DEDICATION**

I dedicate this project to my parents Peninnah Masaa and late Peter Ngala for their financial support, my brother John Vundi and my sisters; Catherine Mbuwa, Florence Mawia, Christine Kakewa and Gloria Ndulu for giving moral support.

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## OPERATIONAL DEFINITION OF TERMS

**Financial Reporting:** Process of using Integrated Financial Management Information System (IFMIS) to provide financial information used for both internal and external purposes.

**Financial Reports:** Written records that give financial information on performance of a given organization.

### **Integrated Financial Management**

**Information System (IFMIS):** Software system incorporated to both county government and national government financial activities to enhance transparency and accountability in financial matters.

**IFMIS Budgeting:** Plan on raising, allocation and spending funds that is prepared with an aid of software system.

### **IFMIS ICT (Information and Communication Technology):**

Storage devices, human resources, hardware, software and procedures involved in transmission, storage, creation, sharing and exchanging information using IFMIS.

**IFMIS Procurement:** Procedure of acquiring goods and services by organization to support its operations through IFMIS and making payments through it.

**IFMIS Recording:** Process of preparing financial statements using IFMIS where data is stored in books of original entry and invoices and checks stored in electronic form for evidence.

**Quality of Financial Reporting:** It is reliability, relevance, understandability, timeliness, verifiability and faithful representation of financial statements in providing information on prospects and performance.

## ABBREVIATIONS AND ACRONYMS

<b>BDA</b>	Business Daily Africa
<b>EQC</b>	Enhancing Qualitative Characteristics
<b>ERP</b>	Enterprise Resource Planning
<b>FASB</b>	Financial Accounting Standards Board
<b>FEP</b>	Finance and Economic Planning
<b>FI</b>	Financial Information
<b>FM</b>	Financial Management
<b>FQC</b>	Fundamental Qualitative Characteristics
<b>FR</b>	Financial Reporting
<b>FS</b>	Financial Statement
<b>GOK</b>	Government of Kenya
<b>IASB</b>	International Accounting Standards Board
<b>ICT</b>	Information and Communication Technology
<b>IFMIS</b>	Integrated Financial Management Information System
<b>NACOSTI</b>	National Commission for Science, Technology and Innovation
<b>NCC</b>	Nairobi City County
<b>NCCG</b>	Nairobi City County Government
<b>NTP</b>	National Treasury and planning
<b>PFM</b>	Public Finance Management
<b>PSB</b>	Public Service Board
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>QFR</b>	Quality of Financial Reporting

## ABSTRACT

Quality of financial reporting address all the issues that relates to accountability and transparency on public funds. In 2003, Kenya implemented Integrated Financial Management Information System (IFMIS) to improve service provision especially on financial matters raising accountability and transparency. Although Nairobi City County Government (NCCG) incorporated IFMIS on its operations in 2013 after county government operations commenced, adverse opinion on the reports are always given. These opinions create mistrust on the financial reports produced by NCCG. The key aim of the study was to investigate the effects of IFMIS to the quality of financial reporting in Nairobi City County Government, Kenya. There were four key variables used in the study including IFMIS Budgeting, IFMIS Procurement, IFMIS Recording, and IFMIS Information and Communication Technology (ICT). Diffusion of Innovation theory, Systems theory and Agency theory were the theories supporting the study. It used a causal research design in gathering, measuring and analyzing data. The study targeted 425 individuals working in the finance and economic planning department of Nairobi City County Government. This study used primary data as well as data from secondary sources. The research used data from 85 individuals forming a sample of 20%. The study used method of stratified random sampling to provide good coverage of the population hence greater precision. Primary data collection was through questionnaires where piloting was undertaken to improve its reliability and validity. Secondary data from different financial reports of NCCG were used in reinforcement of the primary data. Data collection began after the researcher obtained authorization letter from Kenyatta University together with a research permit acquired from NACOSTI. Multiple regression analysis assisted in determination of cause and effect relationship between IFMIS and quality of financial reporting. SPSS aided in analysis of study data and Analysis of Variance (ANOVA) results aided in revealing statistical significance of the model. The researcher presented the findings in charts, graphs, tables and prose writings. Based on the analyzed results the study concludes that IFMIS budgeting had positive significant effect to the quality of financial reporting in NCCG. Similarly, the study concludes that IFMIS procurement had enhanced the quality of financial reporting in NCCG. The study also concludes that there was statistical significant evidence to support the positive effect that IFMIS ICT had on quality of financial reporting in NCCG. Further, the study concludes that IFMIS recording significantly influenced the quality of financial reporting in NCCG. Finally, the study concludes that generally IFMIS had positive significant effect to the quality of financial reporting in NCCG. The study recommends that NCCG should often budget and procure using IFMIS. Secondly, the study recommends employees in NCCG to give attention to financial recording process when using IFMIS. Finally, the study recommends NCCG to maintain the state of its ICT system as it has positive impact to quality of financial reporting, IFMIS budgeting and IFMIS procurement. The study suggested that further studies on effects of other IFMIS components to quality of financial reporting in a different county or national government to be undertaken.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Public financial accountability and transparency are always major concerns for everyone in the world. Accountability calls for accountants to be cautious and intelligent when handling financial information since they will be liable for negligence (James, 2021). On the hand, transparency means ready access to financial information about a given entity. To achieve transparency and accountability, Financial Accounting Standards Board together with International Accounting Standards Board have set standards on quality of financial information that adherence to by every accountant is an obligation. Ojo (2016) elaborated that reliability and relevance are fundamental characteristics while timeliness, understandability, comparability and verifiability are enhancing characteristics of financial reports.

There is disclosure of all financial information to relevant stakeholders on financial position and performance of an organization through financial reporting (FR). FR helps in compliance with regulations, facilitate audit, financial planning, raise capital and performance analysis. According to NTP (2021), integrated financial management information system (IFMIS) was tool founded on enterprise resource planning expertise aimed at enhancing accountability and transparency. It was associated with formulation and execution of budget, procurement and financial recording. According to Edlund (2012), creating a more transparent system that brought to light all parts of business and political events in China could develop financial reporting in future. The quality of reporting in China was highly affected by fast growing economy.

There was a high need for quality reports due to corporate losses and scarcity of funds in many South African companies. According to Yasseen *et al.* (2020), South African corporations adhered to QFR standards as compared to Indian. In Tanzania, they have adopted IFMIS, which has enhanced productiveness and reduced duration for financial reporting hence improved QFR (Chalu, 2019). Government, investors and management of any entity relies on financial reporting process to disclose organizational financial status hence poor quality will give an exaggerated picture.

Many counties in Kenya have issues on budgeting, expenditure and reporting as portrayed by performance analysis (Infotrak, 2020). This signals a probability of poor quality financial reports in the counties. According to Ndaita (2011), for any organization to survive in the competitive and every time transforming environment it must adjust accounting practices leading to high QFR. Many countries have incorporated IFMIS to their activities with different targets to meet. Similar case applies to Kenya where it launched the IFMIS for the first time in 2003. Devolution of the government of Kenya led to service provision devolvement to the county level. As a result, both national and county government enjoys IFMIS related services. In accordance with GOK (2011), implementation of IFMIS aided in planning, recording, procurement, budget allocations and communication. This signified that high quality of financial reports is a requirement to be achieve by every entity.

### **1.1.1 Quality of Financial Reporting**

QFR highlights rules and regulations for reporting all essential figures of financial information in transparent, honest and in an easy manner to comprehend by everyone (Miller & Bahnson, 2005). Based on one's contemplation and expected information there is indirectly observation of QFR hence not easily quantified (Achim, 2014). In addition, financial reports are better than any other

accounting information as they have power in communication though no widely accepted definition. Finally, according to Biddle *et al.* (2009), QFR is accuracy in expressing information on any given firm functions especially on monetary matters. For the quality assessment, there are certain criteria set by IASB and FASB for adherence to.

According to Achim (2014), QFR is very important condition for effective performance of the accounting system and its utility. The study adds that key function was provision of information for economic decisions enhanced by FS showing certain qualitative features. According to Nderitu (2018), financial information contained in the county government's financial reports are very significant in decision-making and tracking of the achievements. The study added that standards set on QFR were significant in accountableness and openness enhancement. There was improved quality and reduced complications in reporting as result of using set standards. Tysiac (2020) elaborates that there are ten key elements in FS reporting grouped further to four components. Income statement has expenses and revenues, balance sheet has liabilities, assets and equity, cash flow statements shows investments and distributions, and finally the fourth component, which is changes in equity, shows losses and gains.

There are fundamental and enhancing characteristics elaborated by IASB and FASB conceptual framework based on how they manipulate utility of financial information. Fundamental qualitative characteristics of FR differentiate useful information from misleading and unprofitable information while enhancing qualitative characteristics shows the difference of useful and less useful, it means all extra benefits added to fundamental features. Achim (2014) clarifies that FQC is composed of relevance and faithful representation while EQC consist of understandability, verifiability, timeliness and comparability. Stating these qualitative features of financial information clarifies how we define QFR.

Reliability is elaborate as the fact that reports are accurate, consistent and free from bias. Relevance means that the reports are predictable and confirmable. Yasseen *et al.* (2020) clarified that relevance is extent of FS helping in formation of suggestions relating to the future of the organization. Faithful representation defines how financial reports are valid and reflect accurate condition. Verifiability shows that there is consensus, assurance of correspondence and clear documentation of reports. Timeliness imply that there is no delay therefore there is time to correct errors and good frequency of reporting. Where the reports are clear, concise, organized and complete then understandability of reports is evident.

### **1.1.2 Integrated Financial Management Information System**

GOK (2011) defines IFMIS as public finance management system that is automatic in performing its activities. Data recording, tracking and managing information were the main reasons for system designing. According to ICPAK (2017), in Kenya the system launching was in 2003. NTP (2021) explains that IFMIS is one of the major PFM reform adopted by the government for employment and wealth creation and ensuring that service provision is efficient. IFMIS forms FM reform practices of most developing countries in the world (Lundu & Shale, 2015). The study adds that transparency and accountability are enhanced leading to reduced fraud and corruption in financial matters.

According to NTP (2021), the components of IFMIS are budgeting, procurement, revenue, recording, communication, Business intelligence and ICT. ICPAK (2017) shows that accounts payable, fixed assets, accounts receivable, general ledgers, purchasing order; cash management and e-procurement are the key IFMIS modules as result of high technology. There is cross-referencing of data due integration by the oracle based ERP used in national and county levels. There are integrations with Kenya Revenue Authority for purpose of withholding certificate

generation and direct registration of businesses, and Central Bank of Kenya to enable the government to pay directly from ministries, departments and agencies account.

ICPAK (2017) explained that poor control, unrealistic budgets, pending bills, fraud and mismanagement were major issues due to lack of IFMIS. The system faced institutional, political and technical challenges in its operations. The system had many advantages as compared to its drawbacks in different operational areas of organizations. IFMIS budgeting, procurement, recording and ICT showed close relationship with QFR as compared to the other IFMIS components. Therefore, this study purposed to investigate effects that IFMIS budgeting, procurement, recording and ICT had on quality of financial reporting.

### **1.1.3 Nairobi City County Government**

Nairobi was founded in 1899 by British East Africa colonial authorities. According to Quick *et al.* (1993), the name refers to a place of cool waters as translated from *enkare Nyrobi*; a Maasai phrase. In 1907, it replaced Machakos to be the capital city. Under the new constitution of 2010 it is among the Kenyan 47 counties formed after been converted from Nairobi province. It is the most populous of the 47 counties yet the third smallest. It receives largest portion of financial resources that national government distributes to the counties in Kenya. Due to possession of many and large business it also generates a lot of money to finance different projects and activities of the county.

Nairobi officially commenced its operations as county government in 2013 as stated in the Kenyan constitution. The government had already budgeted for the implementation of IFMIS in the counties as immediately after each county government starts its operations. Hence, Nairobi incorporated IFMIS in its operations immediately on authorization of the county government operations. According to Lundu & Shale (2015), IFMIS in NCC government had moderate level

of implementation due different factors within the county. The study adds that performance in the county depends much on the system by influencing cost, efficiency and quality. Finally, the study concluded that the system might not function as anticipated due to problems associated with the system implementation in NCCG.

Adverse audit opinions are always given on financial reports of NCCG. These opinions create mistrust on the financial reports given by any organization. This sends signals that preparation of the statements disobeys the general accepted accounting principles. Other organization will create distrust in conducting any type of business with such an organization, which is evident in the county. BDA (2021) publicizes that NCC continues to miss conditional grants of more than 500 million shillings every financial year. It added that the reason for this was due to embezzlement and ignoring conditions set for such funds. According to Infotrak (2020), NCC out of the 47 counties in Kenya only appeared top 10 in roads and transport out of 14 factors under consideration. This means that it is among the poor performing counties in the country. This signifies a problem in the county that is linked to the quality of financial reporting. Justifying the reasons for undertaking the study on IFMIS and quality of FR in NCCG and not any other county government in Kenya.

## **1.2 Statement of the Problem**

Different stakeholders in a given organization enjoy varied benefits accumulating from the quality of their financial reporting. There should be consistent concepts to assess QFR as it has high weight in economic and social economic decisions. Daily advancement in technology has made many organizations to implement IFMIS to replace manual activities in accounting processes. Kenyan government has accumulated very many benefits in relation to the system, through core networking of all governmental departments to a single system of FM.

According to Ayim (2019), introduction of IFMIS in administrative offices was great thought to push the government towards achieving every element of new technology in the globe. Inferior economic decisions, operation inefficiencies, distrust among stakeholders, lost revenue or opportunities are signals of poor quality financial reporting. Most of these parameters were recognizable in many counties in Kenya despite the implementation of IFMIS. This creates doubts on quality of FR of different counties. According to Mwaniki (2012), IFMIS lacked ability in finance management due to unclear system specification.

Nairobi City County was among counties with many financial issues in the Kenya where the study was undertaken. Different auditor general reports on financial statements in NCCG showed an adverse opinion. Adverse opinion involves auditor concluding that misstatements on financial statements are material and pervasive proven through obtaining sufficient appropriate audit evidence (Sentao, 2018). GONCC (2019) gives adverse opinion proved by over 211 million shillings made outside IFMIS for the year ended 2017/2018. It clarifies that reports of that period lacked completeness and accuracy. Sentao (2018) gives an adverse opinion on financial statements of NCC grounded on non-disclosure of balances, expenditure variations, pending accounts, unapproved reallocations and unaccounted funds. This is the trend as proved in different auditor general reports over the years.

Finance sector has improved tremendously due to use of IFMIS as proven in researches conducted locally by Mwaniki (2012), Chumba (2014), Cheronno (2016), Opiyo (2017) and Ayim (2019). Similarly, regional study by Chalu (2019) indicated that IFMIS improved understandability and reliability of financial reports. Quality of financial reporting is a key thing in every sector of economy and borrows a lot from other areas in an organization. Poor performance in every organization may be associated with financial reports. Due to large empirical gaps, this study was

enhancing the area by investigating the effects of IFMIS on quality of financial reporting in Nairobi City County Government, Kenya. Key research variables were IFMIS procurement, budgeting, recording and ICT.

### **1.3 Objectives of the Study**

The objectives set for the study were both general and specific.

#### **1.3.1 General Objective**

Investigating the effects of integrated financial management information system on the quality of financial reporting in Nairobi City County Government, Kenya was the general objective of the study.

#### **1.3.2 Specific Objectives**

The specific objectives of the study included:

- i. To examine the effect of IFMIS Budgeting on quality of financial reporting in Nairobi City County Government.
- ii. To examine the effect of IFMIS Procurement on quality of financial reporting in Nairobi City County Government.
- iii. To establish the effect that IFMIS Recording has on quality of financial reporting in Nairobi City County Government.
- iv. To determine the effect of IFMIS ICT on quality of financial reporting in Nairobi City County Government.

### **1.4 Research Hypotheses**

The following hypotheses guided the study:

**H<sub>01</sub>:** IFMIS budgeting has no significant effect on quality of financial reporting in Nairobi City County Government.

**H<sub>02</sub>:** IFMIS procurement has no significant effect on quality of financial reporting in Nairobi City County Government.

**H<sub>03</sub>:** IFMIS recording has no significant effect on quality of financial reporting in Nairobi City County Government.

**H<sub>04</sub>:** IFMIS ICT has no significant effect on quality of financial reporting in Nairobi City County Government.

### **1.5 Significance of the Study**

This study may be of much value to county government of Nairobi City where the research was undertaken. The findings from the study may show clearly the areas of concern in relation to IFMIS and quality of FR. Although the results linked directly to NCCG, other counties in Kenya may also borrow some information from the research and improve their systems.

The study may inform accountants all over the world of the effects that may be associated with IFMIS on quality of financial reporting. The study findings may be helpful in improving application of new technology in the accounting sector. The specific areas of the study being IFMIS budgeting, procurement, recording and ICT. The study may show areas that may require slight enhancement for them to raise quality of reports produced using the system.

This study was also important, as it may set out academic background for further studies. It may help future accountants to have understanding of the effects that IFMIS has on quality of financial reporting. This may help them from the beginning of accounting profession to be able to apply

current technology appropriately and effectively in their business activities. Further, the professional body of accountants may also gain some insights on how to use IFMIS to enhance the quality of financial reports. This may involve setting new rules and regulations to govern system usage in different areas in FR.

### **1.6 Scope of the Study**

Nairobi City County Government is the place where the study was undertaken. It paid attention to 425 Finance and Economic Planning department employees working in the county. The study investigated effects of IFMIS budgeting, procurement, recording and ICT to quality of FR. The research data was gathered with reference to 5 financial years of the county government from the year 2016 to 2021. The study took a period of two months in data collection and analysis. Diffusion of Innovation, Systems and Agency theories guided the study.

### **1.7 Limitations of the Study**

These are all difficulties encountered by researcher during the study that are beyond control and there is limited influence to them. The study used primary data collected from sampled individuals in FEP department in NCCG. Respondents were reluctant to give personal views and information due to fears on breach of confidentiality and privacy. As a result, the study faced challenges of some respondents been unwilling to participate and giving all the vital information that the researcher needed despite the efforts of guaranteeing them high confidentiality of the information provided.

### **1.8 Organization of the Study**

Five chapters form the arrangement of this project report. In chapter one, there is coverage of background, problem statement, study objectives, hypotheses, significance, scope, limitations and

organization of the study. Theories and empirical studies associated with effects of IFMIS to quality of financial reporting are discussed in chapter two. There is tabulation of literature and research gaps identified in summary form and a figure showing conceptual framework at the end of the chapter. The third chapter of the study expounds on research design, sampling technique, target population, data collection, analysis and ethical consideration, which the study employed. The study findings and data analysis are presented in chapter four with results of hypothesis testing at the end of it. Lastly, chapter five presents the summary of findings, conclusion and recommendations drawn from the study findings and suggestions for further studies at end.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter on literature review discusses related history to IFMIS and quality of financial reporting. The chapter has four different sections. Theoretical literature provided in the first section, section two is on empirical literature, tabulation of literature summary and research gaps closely related to IFMIS and quality of FR in section three and the last section has the conceptual framework representation.

#### **2.2 Theoretical Literature**

This section discusses the theories related to IFMIS and quality of FR. Diffusion of Innovation, Systems and Agency theories guided the study.

##### **2.2.1 Diffusion of Innovation Theory**

One of the major social science theory developed in 1962 by Everett Rogers. It explains how new technologies, ideas, procedures or products acquire motion and spreads over the world to the target individuals. Successfully application has occurred in marketing, communication, agriculture, criminal justices, public health and social work. DOI provides guidance on creation and implementation of fruitful programs for greater achievements. It elaborates on the rate of adoption of recent services and goods by consumers.

Rogers (2003) classified consumers broadly into five classes regardless of their age, gender, race or psychographic characteristics. These categories of consumers refers to adopters in a product life cycle, associated with obtaining brand idea, technology, process or even product. The groups are

creators, adopters at beginning, first majority, majority at the end and idlers. Associated benefits, compatibility, testability, complicity and observability catalyze adoption process.

Makinen (2010) argued that the factors affecting diffusion of digital accounting are efficiency, development, external pressures and forces, legislation and the standards. In case of innovation related to accounting selected group of consumers is involved in early adoption of the practices. In this regard, the innovation spreads to the other categories of users though faced by certain factors but finally reaches all parts of the world. In relation to this study, IFMIS was the element of innovation that was in process of diffusion to different parts of the world. Many countries are in different categories of adoption level and therefore performance of the system differs. The quality of the system is key determinant of performance hence payment of focus on it is required (Ayim, 2019). Quality of FR depends on IFMIS, which unclear specifications lead to failure in function (Mwaniki, 2013).

### **2.2.2 Systems Theory**

Ludwig Von Bertalanffy introduced the theory in 1940s. He visualized it as direction to solving increased problem complexity in the world. According to Bertalanffy (2003), System involves set of components working in union with aim of achieving the main objective. In harmony to the theory complex system develops hypotheses where it could not arise from a single system. The theory gives insight on taking forward actions, making advancements in the society, propagating adaptability to environmental transformations, focus on achieving goals and uniformity in decision. In conclusion, the theory emphasizes its adaptive nature providing holistic perception of organizations.

According to Mele *et al.* (2010), managers have a duty to be aware of concept of whole system for its survival, making necessary transformations and adjustments. Technology is an example of service science to integrate in a system for purposes of dynamicity. There is need to integrate all the components to aid in analysis and coming up with suitable solution to a problem (Ashby, 2010). Problems connected to the theory are in drawing actionable conclusions, delayed decisions, interdependence not considered and not applicable to small firms.

In relation to this study on IFMIS and quality of financial reporting the theory was valuable in varied ways. The theory laid base for ICT system development, which was one among the major components of IFMIS. According to Bevir (2008), set objectives achievement and maintenance of system infrastructure demands that system management to be efficient and effective. IFMIS has many components that work together for various reasons. In this study, the objective to achieve was high quality of FR. The study used this theory in examining how the components of IFMIS collaborate in achieving this objective.

### **2.2.3 Agency Theory**

In the year 1973, Stephen Ross and Barry Mitnick developed this theory. There is principal-agent relationship that exist for one to represent another in a given situation as per the theory. According to Bowie & Freeman (1992), in most modern organizations principals (shareholders and owners) grants permission to the agents (managers or workers) to act on their behalf. The main goals of the two parties may contradict each other where the agent may focus on achieving his own goals rather than those of the principal. This situation creates agency problems in different organizations.

Agency theory elaborates measures to be taken with the aim of converging the interest of both agent and principal at specific advantageous point. This theory calls for cooperation in utilizing

the available resources and analysis of the risks involved (Bamberg & Spremann, 2012). There is separation of ownership and control hence very crucial for financing activities. Agents receive different incentives for them to be motivated to ensure that there is achievement of main objectives in organization. The theory helps organizations to select and identify the good performers in order to retain and promote them for better organizational results.

This study employed this theory to represent quality of financial reporting. Finance officers act on behalf of the other NCCG officers in giving out the financial reports. It is a major economic theory that is important on accountability where it elaborates on audit development (ICAEW, 2005). Auditors act on behalf of other members in assessing the quality of financial reports given. This theory was important to the study, as improved agency relationship in the county would lead to production of high quality reports based on the guidelines of IASB and FASB.

## **2.3 Empirical Review**

There is expounding of all relevant literature details that closely related to IFMIS and quality of FR in this section. Given in consideration of the specific study objectives in relation to different scholars work having a higher index of relevancy to the research.

### **2.3.1 IFMIS Budgeting and Quality of Financial Reporting**

Budgeting is plan creation process on how to use up the available funds in an organization. IFMIS budgeting is plan on raising, allocation and spending funds that is prepared with an aid of software system. Financial plans, resources, operations, comprehensiveness and coordination form major components of IFMIS budgeting. Budgeting using the system saves on time and improving delivery of services, leading to increase in organizational achievements.

There was great influence on quality of financial reporting in NCCG due to usage of IFMIS (Njonde & Kimanzi, 2014). The system significantly manages the budget of the county. The PFM tool if effectively implemented it will produce timely budgets and funding of projects hence leading to effective service provision in the county. Through the system, quality of the budget improves through minimized cases of corruption by automating payments. All this results from a study on IFMIS effects to performance of public sector, which assessed effectiveness of IFMIS to finance management and budgeting. The current study added more knowledge by establish if budgeting using the system had any effect to quality of FR.

Chado (2015) conducted a research on IFMIS effectiveness on public sector financial management in Kenya. The study analyzed how budgeting system was effective on financial management. Descriptive techniques were used and the data from primary sources was examined through multilinear regression. The study then reported that budgeting system had positive significant effect to financial management. The system provided transparent and comprehensive information that enhanced credibility and confidence in budget. The study focused on public sector financial management creating a gap in financial reporting which the current study filled.

Kibunja (2017) assessed how planning, implementation and monitoring of budget affects performance in financial matters. This is through a study conducted on budgetary process and financial performance of Murang'a county government. The study through regression analysis revealed that there was significant effect of budgeting using system on the county financial performance. The study clarified IFMIS as key tool that improves financial controls by reducing leakages of resources leading to accountability of officers. The current study conducted in NCCG to address geographical gap that exists.

According to Opiyo (2017), argues that IFMIS budgeting improves quality of financial reporting by enhancing certainty and believability. Through a study carried out in Kisumu county on effects that IFMIS had on cash management in Kenya. The study clarifies that from budgeting to reporting the system is always accessible and reliable to all the users. Production of financial statements using the system guides decision-making process. The system encourages prompt, accurate and timely reports production. Consolidated processing in real time makes the budgeting using IFMIS to be actual, realistic and economical. The study focused on cash management creating knowledge gap on quality of reports produced through the system where the current study aimed at filling that gap.

### **2.3.2 IFMIS Procurement and Quality of Financial Reporting**

Procurement is procedure of acquiring goods and services by organization to support its operations. After implementation of IFMIS, the county government and the national government of Kenya has used it for procurement. National Treasury (2021) refers IFMIS procuring to e-procurement; describing it as process of obtaining goods and services and making payment on them. There is moderate implementation of IFMIS procurement where it has not fully achieved expected benefits (Nyangaresi, 2016).

Ayim (2019) carried out a study to establish the relationship between IFMIS and performance of government ministries. The study employ descriptive design and analysis done on data collected through use of questionnaires. The report shows that presence of IFMIS financial information improves the decision made on the procuring process. Using IFMIS procurement improves reporting by providing frequent financial information to relevant personnel. The benefits associated with e-procurement includes cost savings, quality goods, timely purchases, compliance

and customer satisfaction. Only general performance of the system considered creating a gap on financial reporting which current study filled.

Ndzovu (2019) conducted a research on effects that IFMIS had on financial performance. The study conducted in Kwale county determined effects that e-procurement and mechanized financial reporting had on county performance. It focused on planning, information, efficiency and quality of procurement process. Descriptive research design was employed targeting economic and planning employees in the county. Significant effect was recognize in performance of county due to usage of the electronic process. Transparency in the process was evident hence addressing all accounting errors that could have occurred. The study recommended strengthening of the system to handle financial management challenges faced in the county. The study adds that reporting using the system improves financial performance. The study created a gap by considering financial reporting as independent variable that performance depended on. The current study aimed at filling the gap by using a different method with financial reporting being the dependent variable.

### **2.3.3 IFMIS Recording and Quality of Financial Reporting**

Recording in accounting imply simply the process of preparing financial statements where data is stored in books of original entry with invoices and checks for evidence. Government of Kenya incorporated accounting process in IFMIS where the initial step in accounting process is recording and final step is always giving out a report.

Cherono (2016) studied how accounting operations of Kenyan government agencies were affected by IFMIS. The study aimed at assessing how the system had improved access to financial information and enhanced timeliness in financial reporting. Descriptive measures were used in analyzation of data from primary sources as well as secondary sources. The study found out that

the system had minimal down time, easy record storage and retrieval. Therefore, the study concluded that the system had enhanced timeliness in financial reports submission. Organizations share financial information among the departments efficiently through properly recorded data in the system. The study focused on general accounting process in government agencies meanwhile this study focused on financial reporting in NCCG.

Chalu (2019) conducted a study on effect of IFMIS to the FR quality on the local governments of Tanzania. Secondary data used in the study clarified that recording using the system ensured that there was adherence to set international standards. The process considers economic reality of all financial transactions that take place. The qualitative characteristics revealed that there was a significant influenced on understandability and reliability of reports produced although no significant change in relevance of the reports. The recording process is automated enhancing easy storage of financial data related to a given institution. IFMIS recording process enhanced completeness and transparency of information. The current study used primary data as well as data from secondary sources to bridge the gap by conducting a study in NCCG.

Waweru & Ngaba (2019) conducted a study on IFMIS effectiveness in selected Kenyan government ministries. The study assessed how production of annual accounts improved through IFMIS financial records. The study clarifies that the system had the capacity to enhance real time production of financial reports used in decision-making process. It focused on general effectiveness of the system in government ministries in Kenya. The current study focused on effectiveness of the system to financial reporting in NCCG.

#### **2.3.4 IFMIS ICT and Quality of Financial Reporting**

ICT is initials of Information and Communications Technology defined as information transmitting, storing, creating, sharing and exchanging modes of technology (UNESCO, 2006). As elaborated by NTP (2021), ICT was incorporate to the system with a main purpose of supporting the whole operations of software, hardware and infrastructure. Nyangaresi (2016) clarifies that capacity building, IT infrastructure, culture, policies/ regulations and human resources, are success factors in IFMIS implementation and performance.

Muigai (2012) carried out a research on effects that IFMIS had on financial management. The study undertaken in public sector in Kenya targeting ministries. IFMIS success calls for sufficient work force, internal support, financial resources, management change and commitment. The quality of system, information and service significantly influences organizational performance. Interim arrangements maintained in order to facilitate reporting through the system. The study paid attention to the ICT subcomponents leaving out other components of IFMIS, which the current study focused to work on.

Mwaniki (2012) carried out an assessment of IFMIS effectiveness to Kenyan public sector FR. The study determined effects that technical complexity, capacity and culture had on financial reporting in different public sectors. The study employed descriptive research design using primary data only. The findings showed that HR was a key resource, the system integrated various components and it was core thing in reforming public finance. IFMIS lacked ability in public sector to ensure proper finance management due to unclear system specification on functions to be undertaken. The study adds that the system will not achieve the accounting and finance aims if not

carefully designed. The current study addresses knowledge gap by focusing on IFMIS usage where Mwaniki considered only implementation process.

Chumba (2014) observed that IFMIS increases the effectiveness and efficiency on financial matters via coordination of resources. This emanates from a study undertaken in Eldoret West District on effects that IFMIS had on cash management. The reliability and security of the system were critically analyzed through use of descriptive statistics. This study addressed population gap as larger population at county level is considered. There was HR capacity enhancement through personnel training on operations to be undertaken and legal framework. All changes quickly incorporated to the system, as it was consistent, timely and adequate in information generation.

## 2.4 Summary of Literature and Research Gaps

Table 2.1 illustrates the summarized empirical literature and research gaps that are closely associated with IFMIS and quality of FR.

**Table 2.1: Summary of Literature and Research Gaps**

<b>Author</b>	<b>Focus of the study</b>	<b>Findings</b>	<b>Research gaps</b>	<b>Addressing the research gap</b>
Ayim (2019)	Relationship of IFMIS and government ministries performance.	IFMIS was crucial thing required for raising up government performance.	Focused on the national government ministries.	Focused on County government finance and economic planning department.

Chado (2015)	Effectiveness of IFMIS on public sector financial management in Kenya.	IFMIS improved control, organization and monitoring of financial resources.	Focused on financial management.	Focused on financial reporting.
Chalu (2019)	The Effect of IFMIS on FR Quality in Tanzanian Local Government.	IFMIS adoption had significantly affected the financial reporting quality.	Focused only on Tanzanian local government.	Focused on Nairobi City County Government.
Cherono (2016)	Effects of IFMIS on accounting operations.	The system had enhanced timeliness in financial reports submission.	-Focused on government agencies. -Focused on general accounting operations.	-Focused on the county government. -Focused on financial reporting.
Chumba (2014)	IFMIS and its effects on cash management.	IFMIS was accurate, timely, complete and consistence on cash management.	It focused on Eldoret West District.	Focused on NCCG.

Kibunja (2017)	Budgetary process and financial performance of Murang'a county government.	There was significant of budgeting to financial performance.	The study only focused on Murang'a county.	Focused on Nairobi county.
Muigai (2012)	The effect of IFMIS on financial management of Kenyan public sector: a case of the ministries in Kenya.	IFMIS must be carefully designed, and coordinated with ICT components to achieve its functionality.	Focused on ICT component only.	It considered ICT, Budgeting, Procurement and Recording.
Mwaniki (2012)	An Assessment of IFMIS in Public Sector Financial Reporting in Kenya.	IFMIS had not been able to ensure financial management in the public sector.	Focused on implementation process of IFMIS.	It focused on the implemented IFMIS usage.
Njonde & Kimanzi (2014)	Effect of IFMIS on public sector performance.	The system managed budget which had	Focused on general performance.	It focused on financial reporting.

		significant effect to FR.		
Ndzovu (2019)	Effects of IFMIS on financial performance of Kwale County Government.	The system had significant positive influence to county performance.	Focused on financial performance of Kwale county.	It focused on financial reporting in NCCG.
Opiyo (2017)	Effects of IFMIS on cash management.	-The system was reliable in service delivery. -The system was efficient in all operations.	-It focused on cash management. -Focused on Kisumu county only.	-It focused on financial reporting -It focused on Nairobi city county.
Waweru & Ngaba (2019)	Effectiveness of IFMIS selected government ministries of Kenya.	IFMIS enhanced real time production of financial reports.	Focused on national government selected ministries.	Focused on Nairobi City County government finance and economic planning department.

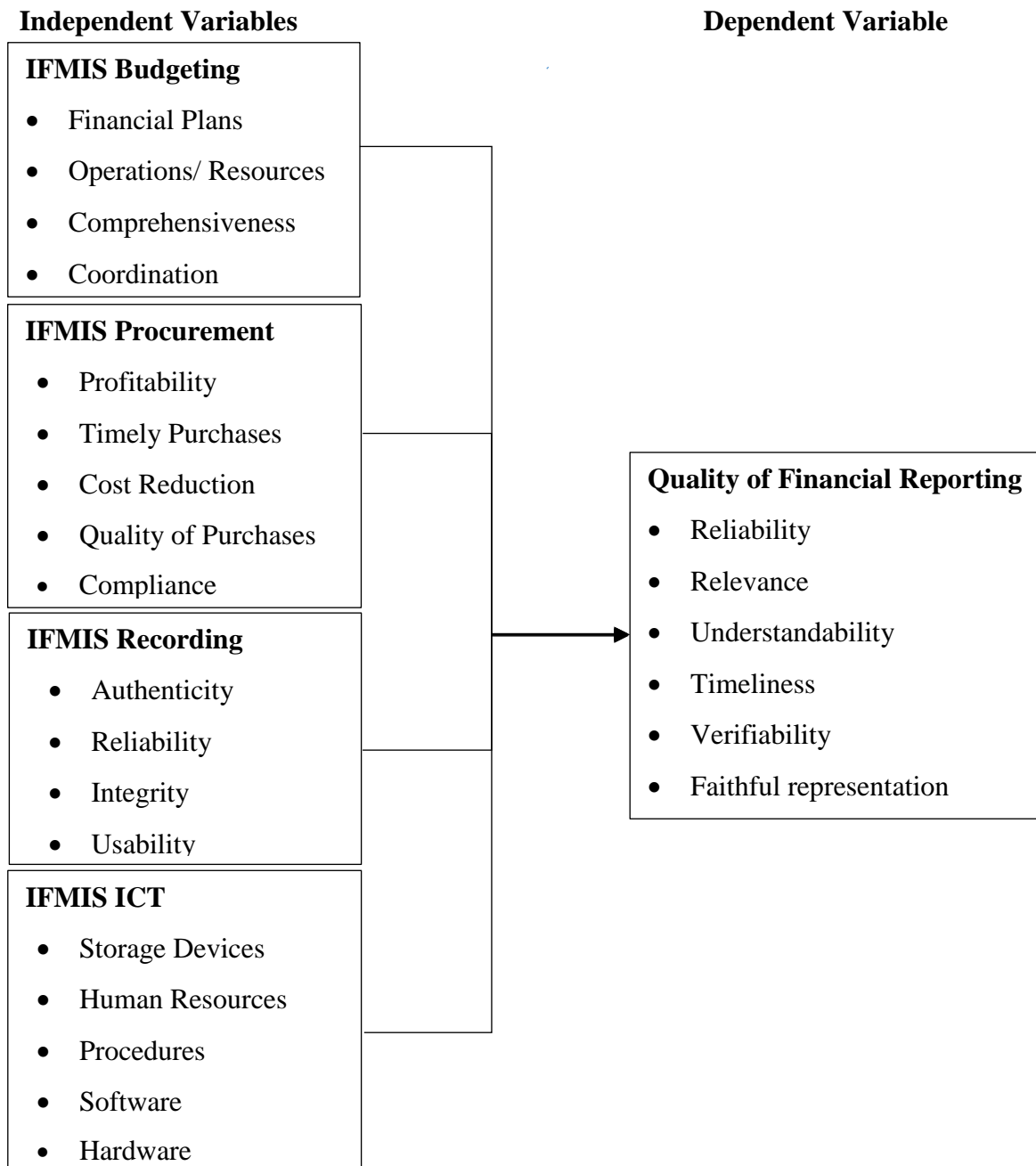
*Source: Researcher (2022)*

## 2.5 Conceptual Framework

According to Mulder (2017), conceptual framework is any visual analytical tool used before undertaking a study. It aids in merging ideas for purposes of achieving the intended research

objective. It gives assistance to the researcher in getting insights on causal and effect of the two variables under study. Figure 2.1 shows conceptual framework displaying the relationship between IFMIS and quality of financial reporting in Nairobi City County Government.

**Figure 2.1: Conceptual Framework**



*Source: Researcher (2022)*

Figure 2.1 shows the conceptual relationship that exist between the independent variables and dependent variable. IFMIS components are the independent variables of the study while quality of FR is the dependent variable. From the literature reviewed IFMIS budgeting, IFMIS procurement, IFMIS recording and IFMIS ICT are the components of IFMIS that have higher significant effect to quality of FR. Each IFMIS component has various factors under it that contribute to the effectiveness of the system on quality of FR. Quality of financial reporting from the conceptual framework has reliability, relevance, understandability, timeliness, verifiability and faithful representation as its major components. This information aided the researcher in getting insights of possible causal relationship that exist between the two variables of the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter of the project report covers methods employed in data collection and analysis. The major areas presented are research design, sampling technique, target population, data collection procedures and instruments, data analyzation and research ethical considerations.

#### **3.2 Research Design**

Design is a plan or structure by a researcher that responds to all research question under study. Kothari (2014) defines design as a layout or plan on gathering, measuring and analyzation of research data. The researcher employed a causal research design portraying evidence of any cause and effect relationship (Hair et al., 2015). All the changes that occur to dependent variable are assumed to be as result of variation in independent variables. In data creation, all other variables that may be confronting the real results remain constant. The study on IFMIS and quality of financial reporting of NCCG employed causal design due to assumption that change in quality of FR was a result of using IFMIS.

#### **3.3 Target Population**

Population imply consideration of complete set of individuals or objects in any field of study (Kothari, 2014). Same characteristics cut across all the items in a population. This study targeted all finance and economic planning department employees in NCCG. The key guideline for choice of this population was that, this group frequently used IFMIS in activities related to financial information.

NCCG mandated FEP department with responsibility of licensing, cash management, revenue collection, rates, debt collection, accounting services and sundry debts control. On June 2020, the county PSB showed that there were 425 workers in FEP department forming the study’s target population.

**Table 3.1: Distribution of the Target Population**

<b>Units</b>	<b>Number of employees</b>
Cash Office	34
Accounts	87
Revenue Staff	67
Rates and Rent	28
Debt collection	58
Licensing	137
Sundry Debts Officers	14
<b>Total</b>	<b>425</b>

*Source: Nairobi City County PSB (2020)*

### **3.4 Sampling Technique**

A sample is population subset in a given area of study where specific standards determine it. Researcher applied stratified random sampling method, since it provided good coverage of the whole population hence a greater precision. According to Kombo and Tromps (2006), this method involve use of some defined features to group population into subpopulation called strata then taking some random samples from them to form the required sample.

Kothari (2014) clarified that with honestly represented population results from sample can be generalize. According to Mugenda & Mugenda (2013), if 10% and above of the whole population forms a sample then that particular sample size is good enough to uphold dependable data for analysis. The study used 20% of the whole population as the sample. This formed a sample size of 85 workers who were sampled using stratified random sampling formula.

$$n_h = \left(\frac{n}{N}\right) * N_h$$

Where N is population size,  $N_h$  is stratum population size, n is sample size and  $n_h$  is the required stratum sample size.

**Table 3.2: Sampled Population**

<b>Units</b>	<b>Target Population</b>	<b>Sample Size</b>	<b>Proportion of the Sample (%)</b>
Cash Office	34	7	8
Accounts	87	17	20
Revenue Staff	67	13	15
Rates and Rent	28	6	7
Debt Collection	58	12	14
Licensing	137	27	32
Sundry Debts Officers	14	3	4
<b>Total</b>	<b>425</b>	<b>85</b>	<b>100</b>

*Source: Researcher (2022)*

### **3.5 Data Collection Instruments**

Collection of research data involves drawing out information, realities or evidence on study problem from a given data source (Babbie, 2002). The study used data from primary sources as well as secondary sources. Questionnaires were utilized in primary data collection while secondary data was obtained from previous county government financial reports. The research questionnaire in appendix I and secondary data collection guide in appendix II were used. According to Mugenda and Mugenda (2003), questionnaires have low cost, large audience availability, time saving and offer high degree of comparability in data collection for research. Method of drop and pick later was employed in administering the researcher's designed questionnaire with matrix structure and open-ended questions. One-week period for responding was given to all sampled workers in finance and economic planning department of NCCG. The research data was gathered with reference to 5 financial years of the county government from the year 2016 to 2021.

### **3.6 Piloting**

The piloting process took place prior to data collection on the targeted population. According to Kothari (2014), piloting is important in testing if data collection instruments are suitable in obtaining correct data and easily understood by the respondents. The researcher selected 10 employees working in county government of Machakos for piloting purposes. This reduced the possibility that an individual who participated in piloting process also participate in the real data collection process. The piloting eliminated minor errors and reduced the problems that respondents could face. This aimed at enhancing validity and reliability of IFMIS and quality of financial reporting questionnaire.

### **3.6.1 Validity**

Range of data instrument producing what it was intended to produce signify the validity level. According to Bolarinwa (2015), validity imply accuracy, unbiased and accurately predicted research data and methods of data collection. Careful planning is key for relevancy of information that the study sets as the objectives to achieve. The procedures and the questionnaire used should collect complete and accurate data. Conducting pilot study evaluated any areas of need and provided a strong foundation for data collection. Through aid of supervisor and fellow colleagues, there was enhancement of the questionnaire content through their views on the questionnaire meeting all the study objectives.

### **3.6.2 Reliability**

According to Mahajan (2017), stability and consistency of the data defines reliability measurement. The questionnaire designed in simple short format enhanced its reliability in data collection by avoiding unnecessary confusions. The instrument should produce similar results using different methods. Exploration used to do inter rater reliability and enhancement done through the assistance of colleague students.

The study determined Cronbach's alpha applying SPSS to examine how the questionnaire was reliable. The intention was to check how the questionnaire was internally consistent. This is commonly applicable where questionnaire has questions in Likert scale. Coefficient alpha had values ranging from 0 to 1 with those closer to 1 signify strong reliability. Heale and Twycross suggest that reliability values that have 0.7 and above are acceptable. Table 4.2 presented reliability of the instrument.

**Table 3.3: Reliability Test**

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>No of Items</b>
IFMIS Budgeting	0.961	5
IFMIS Procurement	0.965	5
IFMIS Recording	0.959	4
IFMIS ICT	0.963	5
Quality of Financial Reporting	0.966	6
<b>Overall Reliability</b>	<b>0.9628</b>	<b>25</b>

*Source: Pilot Data (2022)*

From Table 4.2, reliability values in all the variables was above 0.7 with overall reliability being 0.9628 signifying strong reliability hence acceptable for analysis.

### **3.7 Data Collection Procedures**

The researcher secured Kenyatta University research authorization letter and acquire permit for research from NACOSTI. These two documents introduced and gave identity of the researcher to the target population and kept him on track of standards of conducting the study. The researcher booked appointment with secretaries and departmental heads for introduction and questionnaire administration procedures. The researcher applied drop and pick later strategy. A self-administered questionnaire dropped at the respondent's convenient place and ample period of one week given for them to answer.

### **3.8 Data Analysis**

The researcher sorted the questionnaires by taking out the unanswered just as soon as they were ready. A sample data summary by aid of the descriptive statistics was prepared. The study then incorporated inferential statistics to help understand features in data sample components giving out predictor model. Statistical package for social science version 22.0 aided in analyzation of the

collected data. Quality of financial reporting represents dependent variable whereas IFMIS represents the independent variable. The study had four independent variables hence a multiple regressions analysis was applied. This assisted in investigating the effects of IFMIS on quality of financial reporting in Nairobi City County Government.

The model assumed an equation of  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$

Where; Y is the quality of FR, mean score of the four variables.

$X_1$ =IFMIS Budgeting

$X_2$ =IFMIS Procurement

$X_3$ = IFMIS Recording

$X_4$ = IFMIS ICT

$\beta_0$  = constant

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Coefficients and

$\epsilon$ = Standard error term. The error term represents all other variables not incorporated in the model since their data not obtained.

The results helped predict the value of quality of financial reporting based on information of each component of IFMIS. The choice for the researcher to use multiple regression model was justified by the fact that it is essential in examining cause and effect relationship of variables. The researcher presents the study findings in charts, graphs, tables and prose writings.

### **3.8.1 Test of Significance**

The study executed this test to ensure that there was adherence to all the assumptions in the model. The study carried out Analysis of Variance (ANOVA) to establish the significance level of the model in investigating the effects that IFMIS had on quality of FR. A significant level of 0.05 or

5% accepted giving a confidence level of 95%. It clearly indicated any statistical difference that existed in the variables. Executing this statistical technique gave the exact degree of causal relationship strength and important between QFR and IFMIS.

### 3.8.2 Operationalization and Measurement of Variables

A Likert scale of scoring range 1-5 showing extent to which one agrees or disagrees to a particular statement was used. This scale aided in measuring both the dependent and independent study variables. Secondary data was obtained to aid in measuring the dependent variable by providing extra data.

**Table 3.4: Operationalization and Measurement of Variables**

<b>Variables</b>	<b>Type</b>	<b>Indicators</b>	<b>Measurement</b>	<b>Hypothesis Direction</b>
IFMIS Budgeting	Independent variable	Financial Plans Operations/ Resources Comprehensiveness Coordination	Likert scale of scoring range 1-5	Positive or Negative
IFMIS Procurement	Independent variable	Profitability Timely Purchases Cost Reduction Quality of Purchases Compliance	Likert scale of scoring range 1-5	Positive or Negative
IFMIS Recording	Independent variable	Authenticity Reliability	Likert scale of scoring range 1-5	Positive or Negative

		Integrity Usability		
IFMIS ICT	Independent variable	Storage Devices Human Resources Procedures Software Hardware	Likert scale of scoring range 1-5	Positive or Negative
Quality of financial reporting	Dependent variable	Reliability Relevance Understandability Timeliness Verifiability Faithful representation	Likert scale of scoring range 1-5 and Secondary data	None

*Source: Researcher (2022)*

### **3.9 Ethical Consideration**

The researcher adhered to all expected rules and guidelines for academic research in Kenya. This was through obtaining Kenyatta University authorization letter on project approval and acquiring of permit for research from NACOSTI. Researcher ensured that there was high confidentiality level of all the information collected from different individuals in NCCG. All members of the target population were informed on the study for purposes of data collection. Finally, the researcher remained objective throughout the study and avoided any incidents that could relate to plagiarism.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the study findings based on the collected primary data as well as data from secondary sources. The chapter has 5 sections including response rate, demographic information, descriptive statistics, inferential statistics and hypotheses testing. The study used charts, graphs, tables and prose writings to present the findings for ease in understanding.

#### 4.2 Response Rate

The researcher collected study data from primary and secondary sources. On primary data collection, the study targeted 425 respondents from FEP department in NCCG and sampled 85 respondents to participate. The response rate was as shown in Table 4.1.

**Table 4.1: Response Rate**

<b>Factor</b>	<b>Frequency</b>	<b>Percentage</b>
Complete and Usable Questionnaires	76	89
Incomplete Questionnaires	9	11
<b>Total</b>	<b>85</b>	<b>100</b>

*Source: Research Data (2022)*

The study findings indicated that out of used 85 questionnaires administered, 76 completely filled questionnaires were returned to the researcher after the period for data collection ended. This formed 89% response rate with the remaining 11% representing the incomplete and unreturned questionnaires. According to Mugenda and Mugenda (2003), 50% response rate is acceptable for

data analyzation and report writing; 60% is good response rate and that above 70% is extremely good. Consequently, a response rate of 89% achieved by the study was adequate and excellent for analysis and drawing conclusions. Generally, this could be as result of researcher close involvement in questionnaire administration. In addition, the study managed to collect 100% of all the expected secondary data.

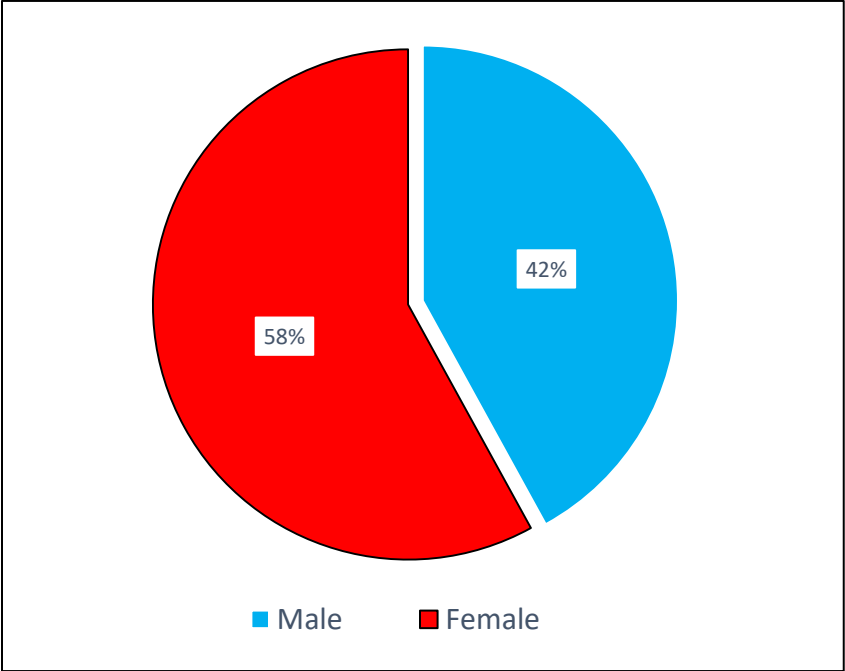
### **4.3 Demographic Information**

Demographic information was important in determining how well the selected sample represented the whole target population. In addition, it determined suitability and relevancy of the selected sample achieving the objectives of the study. This laid foundation for generalizing the results and fairly making conclusions. In this regard, the study collected some general information concerning the gender, age, education, computer skills, frequency of IFMIS usage and number of years one had worked in the county.

#### **4.3.1 Gender of Respondents**

The study inquired on gender of the respondents to ensure that both genders participated on the study. The results were as indicated in Figure 4.1.

**Figure 4.1: Gender of Respondents**



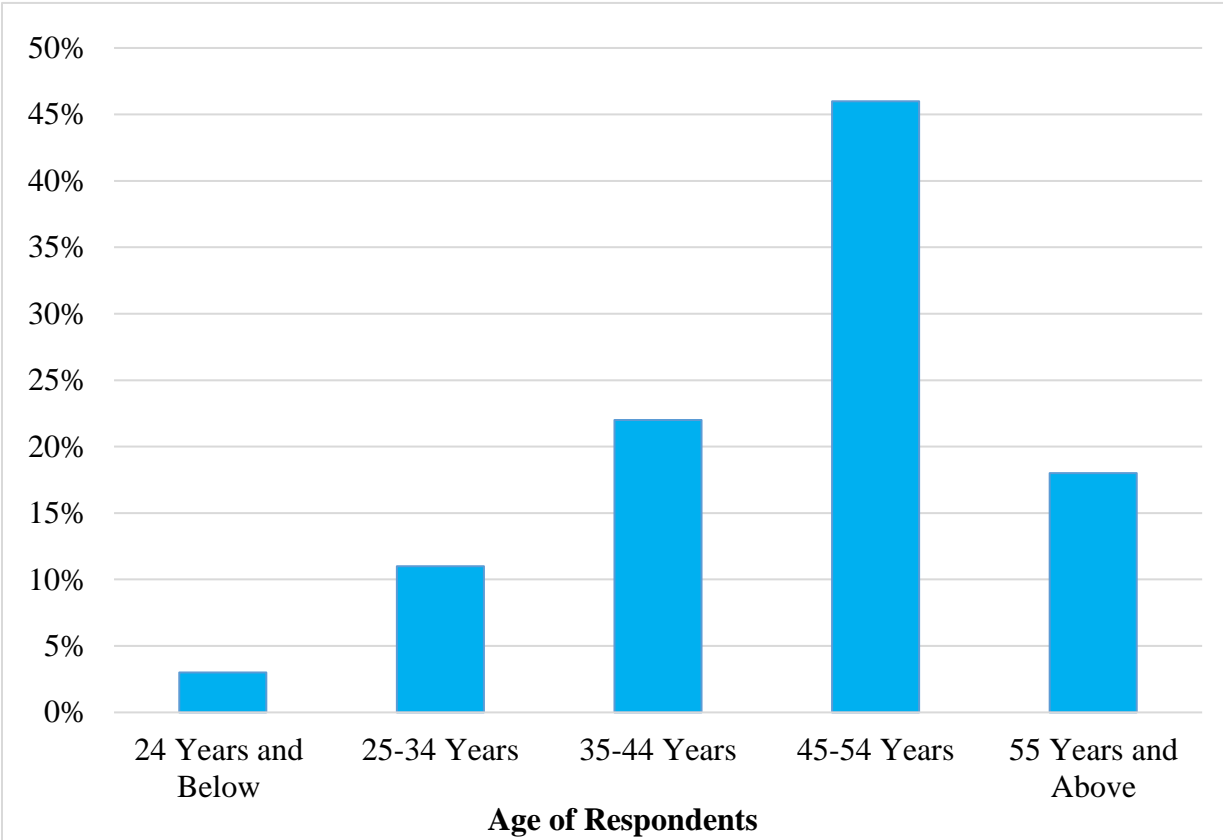
*Source: Research Data (2022)*

The findings indicated that 44 out of the 76 respondents forming 58% of the sampled population were female while the male gender occupied the other portion of 42%. Although the female respondents were more than the male, both genders participated in the research and there was gender balance in duty allocation in FEP department.

**4.3.2 Age of Respondents**

The study collected data on respondents' age to establish whether all the age groups participated on the research. The study results were as displayed in Figure 4.2.

**Figure 4.2: Age of Respondents**



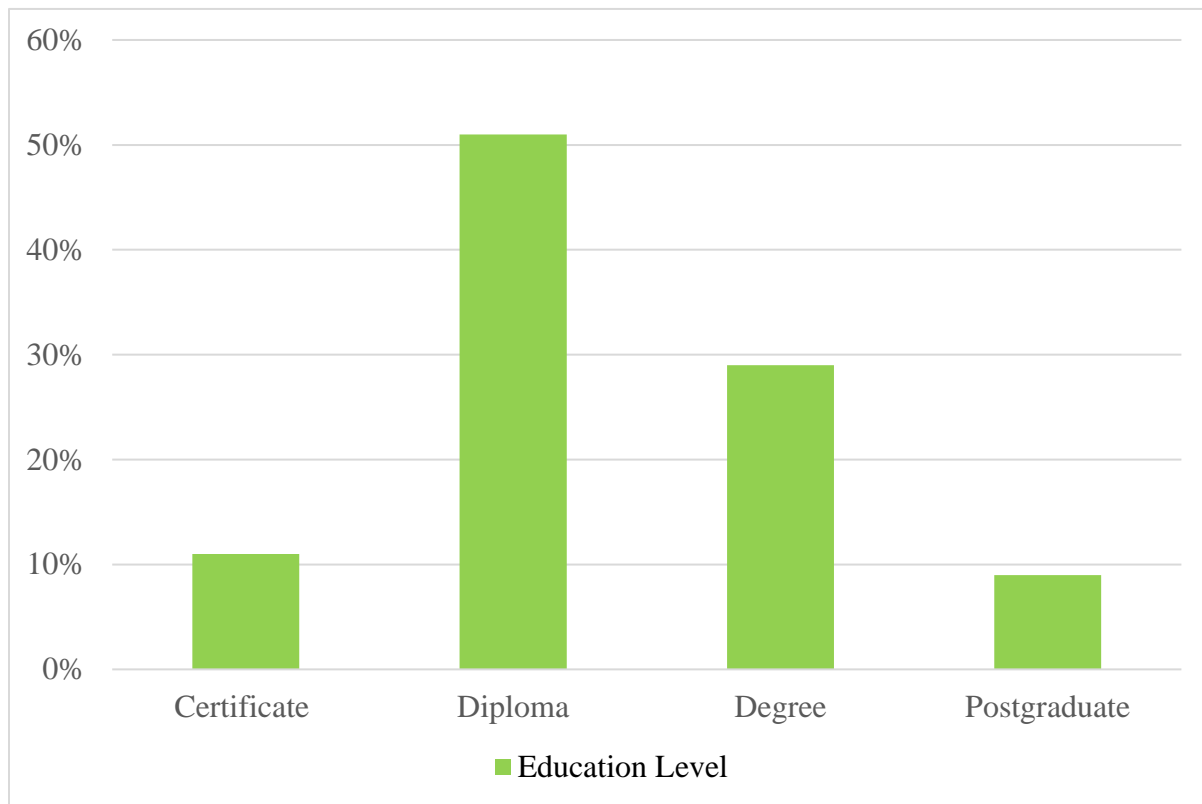
*Source: Research Data (2022)*

The findings indicated that employees aged 45-54 years were the majority forming 46% of the respondents. On the hand, only 3% of the respondents were below 24years of age. The age brackets of 25-34 years, 35-44 years and 55 years and above formed 11%, 22% and 18% of respondents respectively. Through this data, it was evident that all the age groups participated in the research leading to provision of varied opinions on the study questions.

**4.3.3 Education Level**

The study inquired on the educational qualifications of the respondents. Academic qualifications justifies ones position in a given job. This increases the possibility of easily achieving success in any given task. Figure 4.3 illustrates the study findings.

**Figure 4.3: Education Level**



*Source: Research Data (2022)*

From Figure 4.3 study findings, the respondents with diploma were the majority forming 51%, 29% were degree holders, 11% had certificate level of education and 9% were postgraduates. The county had all its workers with adequate academic qualifications to perform assigned duties. Further, the study deduced that all respondents were competent enough to take part in the research and give reliable responses.

#### **4.3.4 Computer Skills**

The study collected data on computer skills that the respondents possessed. This was essential since operation of IFMIS requires one to have efficient computer skills. Table 4.2 illustrates the results of the research.

**Table 4.2: Computer Skills**

<b>Level</b>	<b>Frequency</b>	<b>Percent (%)</b>
Fundamental skills	0	0
Basic skills	20	26
Intermediate skills	48	63
Advanced skills	8	11
None of the above	0	0
<b>Total</b>	<b>76</b>	<b>100</b>

*Source: Research Data (2022)*

There was indication from the findings that all respondents had different computer skills. Majority of respondents had intermediate computer skills forming 63%, 26% of them had basic computer skills and 11% possessed advanced computer skills. This provided evidence that all the respondents had adequate computer skills to operate the system. When qualified personnel operate the system, it produces positive results and minimizes unnecessary costs. This was in agreement with Mele et al. (2010) who argued that for survival of the system one had a duty to be aware of the concept of the whole system.

#### **4.3.5 Number of Years of Service**

The researcher aimed at establishing the number of years each respondent had worked in NCCG. Number of years one serves in a given area brings about relevant job experience. This was important to the study, as obtaining data on years of service ensured that both experienced and none experienced individuals participated on the research. The results of study were as shown in the Table 4.3.

**Table 4.3: Years of Service**

<b>Years</b>	<b>Frequency</b>	<b>Percent (%)</b>
Less than 1 year	3	4
2-5 years	10	13
6-10 years	18	24
Above 10 years	45	59
<b>Total</b>	<b>76</b>	<b>100</b>

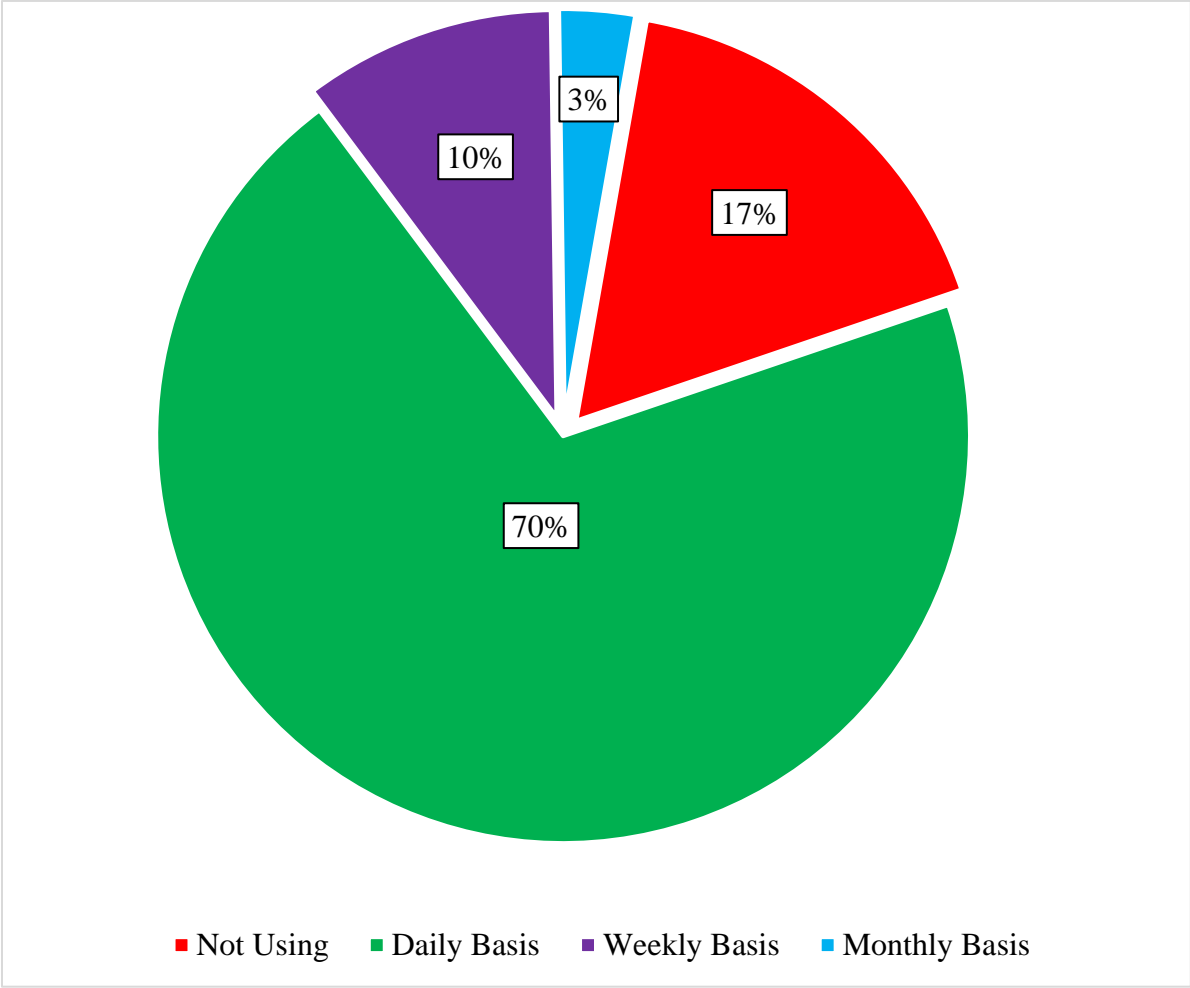
*Source: Research Data (2022)*

The findings showed that 59% of the respondents had served in NCCG for over 10 years, 24% had served for 6 to 10 years, 13% had served for 2 to 5 years and 4% had served for less than a year. The study established that most of the respondents had gained relevant job experience. Therefore, the study considered respondents with different levels of experience in operating the system. In addition, the data provided was reliable as majority of the respondents had experience on system operation and the possible effects it had on quality of financial reporting.

#### **4.3.6 IFMIS Usage Frequency**

The study required the respondents to indicate on their IFMIS usage frequency. This was very important to the study for purposes of ensuring that the data provided was relevant and reliable for analysis. The research findings were as shown in Figure 4.4.

**Figure 4.4: IFMIS Usage Frequency**



*Source: Research Data (2022)*

The study established that though IFMIS is a system highly linked to accounting activities, 17% of the respondents in FEP department did not use it anywhere. Through the study, there was establishment that 70% of the respondents used IFMIS on daily basis. A few of respondents forming 3% used it on monthly basis with remaining 10% using it on weekly basis. Based on Figure 4.4 findings, it was apparent that the respondents who participated were most relevant in providing the required data since they had interacted with the system hence having more information on its effects to QFR.

#### 4.4 Descriptive Statistics

The study was investigating the effects that IFMIS had on quality of FR in Nairobi City County Government. The components of IFMIS considered included budgeting, procurement, recording and ICT. This section on descriptive statistics provides the results on factors under IFMIS components and those of quality of FR. The study asked the respondents to point out the scoring range to which they were in agreement with the statements on IFMIS components as well as quality of FR in NCCG. They used Likert 1-5 scale to given response where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree. The study calculated the mean and standard deviation for the responses to show extent of impact and highlight any potential relationship between IFMIS and quality of FR.

##### 4.4.1 IFMIS Budgeting and Quality of Financial Reporting

The study sought to examine the effects that IFMIS budgeting had on financial plans, resources, operations, comprehensiveness and coordination. Hence, the study asked the respondents to point out the scoring range to which they were in agreement with the statements on IFMIS budgeting in NCCG. They used Likert 1-5 scale to given responses and Table 4.4 shows the findings of the study.

**Table 4.4: IFMIS Budgeting and Quality of Financial Reporting**

Statement	Strongly		Neutral	Disagree	Strongly		St. Dev
	Agree	Agree			Disagree	Mean	
Improvement on financial plans	18	33	20	4	1	3.83	0.900

Improvement on country financial operations	32	23	15	6	0	4.07	0.971
Enhancement on financial resources usage	17	24	32	3	0	3.72	0.858
Increase on comprehensiveness	4	24	36	11	1	3.25	0.819
Coordination of operational activities	6	18	45	7	0	3.30	0.749
<b>Aggregate Mean</b>						<b>3.63</b>	<b>0.859</b>

*Source: Research Data (2022)*

An establishment that there was improved financial operations in NCCG was evident through the study as the respondents agreed to this and a mean of 4.07 with 0.971 standard deviation was produced. Similarly, they acknowledged that there was improved financial plans, enhanced financial resource usage, increased comprehensiveness and coordination of activities as opposed to a few who disagreed on these with mean of 3.83, 3.72, 3.25 and 3.30 respectively. The standard deviation for all statements ranged from 0.749 to 0.971 indicating that responses varied to a small extent. Average standard deviation produced was 0.859 implication of responses clustering around aggregate mean of 3.62. Generally, from the findings a mean of 3.62 was an implication that IFMIS budgeting had improved various activities in the county. These findings concurs with Kibunja (2017) which found out that IFMIS budgeting improved financial controls leading to enhanced financial resource usage as result of reduced leakages of resources. Similarly, they coincided with

Njonde & Kimanzi (2014) where the findings showed that IFMIS budgeting led to effective service provision.

#### 4.4.2 IFMIS Procurement and Quality of Financial Reporting

The study had an objective to examine the effect of IFMIS procurement to QFR. To achieve this objective the study collected data on effects that IFMIS procurement had on profitability, timely purchases, cost reduction, cost of purchases and compliance. The respondents used Likert 1-5 scale in giving responses and the results were as indicated in Table 4.5.

**Table 4.5: IFMIS Procurement and Quality of Financial Reporting**

Statement	Strongly Agree		Neutral	Strongly Disagree		Mean	St. Dev
	Agree	Disagree		Disagree	Agree		
Increased profits in the county	6	19	40	10	1	3.25	0.835
Enhanced timely purchases	8	18	37	12	1	3.26	0.900
Reduction in costs involved	2	16	28	26	4	2.82	0.920
High quality of purchases	3	20	49	3	1	3.28	0.665
There is increased compliance	8	29	32	5	2	3.48	0.871
<b>Aggregate Mean</b>						<b>3.22</b>	<b>0.838</b>

*Source: Research Data (2022)*

Analysis of the data on Table 4.5 above was conducted to obtain mean and standard deviation for various statements. The results indicated that increase in profits through use of the system had mean of 3.25 with 0.835 deviation, timely purchases mean was 3.26 with 0.900 standard deviation, high quality of purchases gave a mean of 3.28 with standard deviation of 0.665 and increased adherence to protocols had mean of 3.48 with standard deviation of 0.871 . Contrary, a mean of 2.82 with 0.920 standard deviation was produced as per the responses on whether the system reduced the costs involved implying a slight balance on those agreed and disagreed on that statement. The responses clustered around the grand mean of 3.22 as implied by average standard deviation of 0.838. Considering the whole IFMIS procurement process with grand mean of 3.22 the study made conclusion that there was increase in profits, timely purchases, quality of purchases as well as adherence to protocols. These findings concurs with Ayim (2019) who found out that e-procurement had benefits such as cost savings, quality goods, timely purchases, compliance and customer satisfaction.

#### **4.4.3 IFMIS Recording and Quality of Financial Reporting**

The study aimed at establishing the relationship between IFMIS recording and quality of financial reports. This was important to the study as it aided establish the effects that IFMIS recording had on authenticity, reliability, integrity and usability of records. The respondents used Likert scale with 1-5 scoring ranges to give their responses. Table 4.6 provides results from different respondents on IFMIS recording effects.

**Table 4.6: IFMIS Recording and Quality of Financial Reporting**

<b>Statement</b>	<b>Strongly</b>		<b>Neutral</b>	<b>Disagree</b>	<b>Strongly</b>	<b>Mean</b>	<b>St.</b>
	<b>Agree</b>	<b>Agree</b>			<b>Disagree</b>		<b>Dev</b>
Provision of authentic records	19	44	10	3	0	4.04	0.738
Records are reliable	15	37	22	2	0	3.86	0.761
There is integrity in recording	17	47	12	0	0	4.07	0.660
There is increase in usability of records	23	36	14	2	1	4.03	0.848
<b>Aggregate Mean</b>						<b>4.00</b>	<b>0.752</b>

*Source: Research Data (2022)*

From Table 4.6 study results, there was establishment that the system provided authentic recording as respondents agreed to this with a mean of 4.04 that deviated by 0.738. Mean of 3.86 and 0.761 standard deviation were produced on statement whether the records produced through IFMIS were reliable implying that a large number agreed to this. An agreement that there was integrity in recording using IFMIS was made as mean of 4.07 and 0.660 standard deviation was produced. There was also an agreement that the system increases the usability of the records as shown by mean of 4.03 with deviation of 0.848.

The findings showed a relatively small average standard deviation of 0.752 which indicated that responses clustered around grand mean of 4.00. Considering the grand mean of 4.00 on all statements, IFMIS had positively influenced the recording process. These findings agreed with Cherono (2016) who found out that the system had minimal down time, easy record storage and retrieval. Further, the findings concurred with Chalu (2019) who established that the process enhanced easy storage of financial data, completeness and transparency of information.

#### 4.4.4 IFMIS ICT and Quality of Financial Reporting

In investigation of IFMIS ICT and quality of FR relationship, the study used a Likert Scale with 1-5 ranges. This was crucial in determination of IFMIS ICT effectiveness based on sufficiency and efficiency of storage devices, human resources, system operation, software system and hardware system. Respondents had to indicate their own opinions, as they perceived various statements given. Table 4.7 gives results from the study.

**Table 4.7: IFMIS ICT and Quality of Financial Reporting**

Statement	Strongly		Neutral	Disagree	Strongly		Mean	St. Dev
	Agree	Agree			Disagree	Disagree		
Storage devices are sufficient	5	14	49	6	2	3.18	0.778	
There is enough human resources	17	45	12	2	0	4.01	0.702	
Procedures are clear on system operation	3	17	33	20	3	2.96	0.901	

Software system is efficient	5	7	29	30	5	2.70	0.966
There is sufficient IFMIS hardware	9	20	41	5	1	3.41	0.836
<b>Aggregate Mean</b>						<b>3.25</b>	<b>0.837</b>

*Source: Research Data (2022)*

The study findings showed that there was enough human resources operating the IFMIS system as proven by mean of 4.01 with deviation of 0.702. Slightly higher number of respondents agreed on statements that there was efficient software system and clear procedures in operating the system. The two statements produced means of 2.70 and 2.96 as well as standard deviation of 0.966 and 0.901 respectively. Contrary, statement on whether there was sufficient storage devices had mean of 3.18 with deviation of 0.778 and statement on sufficiency of IFMIS hardware had mean of 3.41 with 0.836 standard deviation an implication that slightly higher number agreed to these statements.

The results indicated average standard deviation of 0.837 implying that all the responses clustered around a grand mean of 3.25. The grand mean of 3.25 showed that NCCG had standard level of ICT with all the components being available. Therefore, the components if highly integrated they will realize the overall goals of the county. This was in line with Nyangaresi (2016) who indicated capacity building, IT infrastructure, culture, policies/ regulations and human resources as success factors for IFMIS performance.

#### 4.4.5 IFMIS and Quality of Financial Reporting

Cautiously several statement on quality of financial reports in NCCG were identified and respondents had to pick the extent to which they agreed to them. It was essential in establishing the extent of reliability, relevancy, understandability, timeliness, verifiability and faithful representation of financial reports in NCCG. This was done using Likert scale with 1-5 scoring range. Table 4.8 presented the findings of the study from primary source. Secondary data used to supplement these findings and details added to them.

**Table 4.8: IFMIS and Quality of Financial Reporting**

Statement	Strongly		Neutral	Disagree	Strongly		St.
	Agree	Agree			Disagree	Mean	
There is increased reliability	22	42	12	0	0	4.13	0.660
Increased relevancy of reports	15	51	10	0	0	4.07	0.574
Enhanced understandability of reports	23	39	13	1	0	4.11	0.723
Enhanced timeliness of reporting	9	43	22	2	0	3.78	0.685
Improved verifiability of reports	19	47	10	0	0	4.12	0.610

Enhancement in faithful representation of reports	27	41	7	1	0	4.24	0.671
<b>Aggregate</b>							
<b>Mean</b>						<b>4.07</b>	<b>0.654</b>

*Source: Research Data (2022)*

The results revealed that there was increased reliability of financial reports in the county as most of the respondents agreed on this. A mean of 4.13 with 0.660 standard deviation was produced which was supported with secondary data that rated the reliability of reports as being very good. The study rated reliability of the reports in relation to accuracy, consistency and similarity to external auditor report. The financial reports had insignificant variances in financial statements and revenue records, differences in receipts and payments and some had no explanations for the differences. Based on this data the study concluded that the reliability of reports had increased. This was in agreement with Opiyo (2017) who argued that IFMIS enhanced certainty and believability of FR.

To establish confirmability and predictability of the reports, the respondents had to indicate whether they agreed on IFMIS increasing the relevancy of the financial reports. The respondents agreed on this statement with mean of 4.07 and deviation of 0.574 concurring with secondary data rating. Although, the reports did not indicate the fair financial position of the county and registered some of items at historical cost especially the fixed assets the study concluded that there was high relevancy level of the financial reports.

From the findings in Table 4.8, a mean of 4.11 with 0.723 standard deviation produced was an indication of IFMIS increasing understandability of the reports. This was based on how the financial reports in NCCG were organized, clear, complete and concise. The study rated the reports to be of very good level although they lacked some important clarifications, explanation on differences and disclosure of imprest reducing the understandability level. These findings were in correspondence with Chalu (2019) who revealed that IFMIS had significantly influenced understandability of reports produced.

The study findings indicated that IFMIS had improved the verifiability of financial reports with mean of 4.12 which deviated by 0.610. Lack of supporting documents on payments and clear documentation were only things facing verifiability level of reports. Further, the findings indicated IFMIS had enhanced faithful representation of reports as proven by mean of 4.24 with deviation of 0.671. The issues recognized on reports included completeness in expenditure, errors on notes given, unexplained balance differences and noncompliance to prescribed format of reporting by the PSASB. The study concluded that verifiability and faithful representation of FR were of very good level.

Finally, statement on whether IFMIS had enhanced timeliness of the reports had a mean of 3.78 with 0.685 deviation. This implied that reports not delayed, there was enough time to correct errors and frequency of reporting was good. The only issue recognized from secondary sources in relation to timelines was delays in receipting especially towards the end of financial year leading to unexplained balances. Hence, the study concluded that IFMIS had enhanced timelines in reporting. This finding coincided with Waweru & Ngaba (2019) and Cherono (2016) who established that the system enhanced timeliness in financial reporting. Generally, the reports were of very good

quality and the respondents agreed on this with proportionally small standard deviation of 0.654 implying that their responses clustered around aggregate mean of 4.07.

#### 4.5 Inferential Statistics

This section presents inferences made on the whole population based on the sampled data. SPSS software version 22.0 aided in analyzation of the data. Multiple regression analysis assisted the researcher to determine causal relationship that existed between IFMIS and the quality of FR. The study gives results on correlation coefficient, model summary, ANOVA and coefficient of regression that revealed statistical significance of differences in IFMIS and quality of FR.

##### 4.5.1 Correlation

In investigating the relationship strength together with direction of various variables in the study, there was incorporation of Karl Pearson product moment correlation. Schober et al. (2018) clarified that the values range between -1 and +1, where those close to 1 indicates stronger correlation and 0 indicates no linearity. The results on correlation analysis were as presented in Table 4.9.

**Table 4.9: Correlation**

		<b>IFMIS Budgeting</b>	<b>IFMIS Procurement</b>	<b>IFMIS Recording</b>	<b>IFMIS ICT</b>	<b>FR Quality</b>
<b>IFMIS Budgeting</b>	Pearson Correlation	1				
	Sig. (2- tailed)					
	N	76				

<b>IFMIS Procurement</b>	Pearson Correlation	.866**	1			
	Sig. (2-tailed)	0.000				
	N	76	76			
<b>IFMIS Recording</b>	Pearson Correlation	.844**	.751**	1		
	Sig. (2-tailed)	0.000	0.000			
	N	76	76	76		
<b>IFMIS ICT</b>	Pearson Correlation	.907**	.898**	.758**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
	N	76	76	76	76	
<b>FR Quality</b>	Pearson Correlation	.951**	.907**	.848**	.938**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	76	76	76	76	76

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

*Source: Research Data (2022)*

From Table 4.9, the results revealed that IFMIS budgeting and Quality of FR had strong and positive relationship where the correlation values were ( $r=.951^{**}$ ,  $p\text{-value}=0.000$ ). This results indicated that IFMIS procurement and quality of FR had positive and strong relationship ( $r=.907^{**}$ ,  $p\text{-value}=0.000$ ). Similarly, the results revealed that IFMIS recording was strongly and positively related to quality of FR where the correlation value were ( $r=.848^{**}$ ,  $p\text{-value}=0.000$ ). Additionally, the study results indicated that IFMIS ICT and quality of FR had positive and strong relationship ( $r=.938^{**}$ ,  $p\text{-value}=0.000$ ).

Senthilnathan (2019) suggested that Correlation values above 0.5 are moderate while those above 0.6 are strong while values from 0.7 are much stronger. All the Pearson values in this study were above 0.8 hence indicated stronger relationship with the study's dependent variable. Gelman (2013) clarified that p values enables the researcher to establish existing relationship with 0.05 as the acceptable p value. The significance level of 0.000 that was lower than the 0.05 conventional level indicated that IFMIS budgeting, IFMIS procurement, IFMIS recording and IFMIS ICT highly influenced the quality of financial reporting in NCCG. This was in line with study findings by Chalu (2019) who revealed that IFMIS adoption significantly affected financial reporting quality.

#### **4.5.2 Model Summary**

The study intended to determine how the independent variables when combined influenced the quality of financial reporting. The model summary reported relationship strength that existed between the model and quality of FR through provision of detailed characteristics of the model. The results were as shown in Table 4.10.

**Table 4.10: Model Summary**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 <sup>a</sup>	0.950	0.947	0.13921

a. Predictors: (Constant), IFMIS Budgeting, IFMIS Procurement, IFMIS Recording, IFMIS ICT

*Source: Research Data (2022)*

From Table 4.10 above, the study established that correlation coefficient was 0.975 as indicated by R. Hence, value of 0.975 was an indication of good level of prediction on quality of FR, which was the study's dependent variable. R square, being the coefficient of determination was 0.950 signifying that 95.0% of financial quality could be explained by IFMIS. However, adjusted R square that was 0.947 provided the best and true value of variations. This meant that 94.7% of the variations in the quality of FR could be explained by IFMIS budgeting, IFMIS procurement, IFMIS recording and IFMIS ICT. Further, the results revealed that there was a slight variation between the R square and adjusted R square signaling how best the model fits in predicting the relationship between IFMIS and quality of FR (Dhakal, 2019). However, the remaining 5.3% variations in the quality of FR were due to other factors outside the study scope.

#### **4.5.3 Analysis of Variance (ANOVA)**

Analysis of variance is used in study to ascertain significance and provide awareness on variability level in the regression model (Sawyer, 2017). Further, it enables the researcher to select a model that provides valuable insight based on responses with significant results. The findings were as tabulated in Table 4.11.

**Table 4.11: ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.143	4	6.536	337.250	.000 <sup>b</sup>
	Residual	1.376	71	0.019		
	Total	27.519	75			

a. Dependent Variable: FR Quality

b. Predictors: (Constant), IFMIS Budgeting, IFMIS Procurement, IFMIS Recording, IFMIS ICT

**Source: Research Data (2022)**

From research findings in Table 4.11, the F- ratio indicated in the ANOVA was (4, 71) =337.250, p. (0.000) <0.05 hence the overall regression model was considered adequate for data analysis. The p value of 0.000 which was within the recommended threshold of p <0.05 implied that the regression model was statistically significant in establishing the effects that IFMIS had on quality of financial reporting in NCCG.

#### **4.5.4 Coefficients of Regression**

Coefficients of regression reveals how dependent variable respond to change in predictor variable as other predictor variables remain constant (Hoaglin, 2016). The study aimed at finding out how each of the independent variables influenced the quality of financial reporting in NCCG. The results were as shown in Table 4.12.

**Table 4.12: Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	0.848	0.112		7.537	0.000
	IFMIS Budgeting	0.305	0.063	0.378	4.839	0.000
	IFMIS Procurement	0.184	0.065	0.177	2.813	0.006
	IFMIS Recording	0.156	0.051	0.154	3.084	0.003
	IFMIS ICT	0.282	0.066	0.319	4.261	0.000

a. Dependent Variable: FR Quality

*Source: Research Data (2022)*

The study findings in Table 4.12 revealed that holding all IFMIS factors under the study constant, quality of financial reporting would be 0.848. However, an introduction of IFMIS budgeting would increase quality of financial reporting by ( $\beta=0.305$ ,  $p\text{-value}=0.000$ ) and IFMIS procurement would enhance quality of financial reporting by ( $\beta=0.184$ ,  $p\text{-value}=0.006$ ). Similarly, IFMIS recording would increase quality of financial reporting by ( $\beta=0.156$ ,  $p\text{-value}=0.003$ ) while IFMIS ICT would raise the quality of financial reporting by ( $\beta=0.282$ ,  $p\text{-value}=0.000$ ). From multiple regression analysis results on effect of IFMIS to quality of FR, the equation of the model is as follows;

Quality of financial reporting=  $0.848 + 0.305$  IFMIS Budgeting +  $0.184$  IFMIS Procurement +  $0.156$  IFMIS Recording +  $0.282$  IFMIS ICT.

#### 4.6 Hypothesis Testing

The study was investigating the cause and effect relationship between IFMIS and quality of FR in NCCG. To achieve the study objectives the researcher conducted hypothesis testing. The study first made statements of null hypothesis and alternative hypothesis then it established 0.05 significance level to determine the acceptable threshold. The aim was to establish if there was sufficient evidence to prove that IFMIS affected quality of financial reporting. The study hypothesis testing results were as follows;

The first null hypothesis was IFMIS budgeting has no significant effect on quality of financial reporting in Nairobi City County Government. From the study results in Table 4.12, IFMIS budgeting had  $\beta = 0.305$  with a p-value of 0.000 was an implication that the variable influenced the quality of financial reporting by 0.305. The p-value lied on the recommended threshold of  $<0.05$  which implied that there was significant effect. The study then rejected the null hypothesis 1 as there was sufficient statistical evidence to support the positive significant effect that IFMIS budgeting had on quality of financial reporting. The findings are in line with Chado (2015) who reported that budgeting systems had positive and significant influence to public sector financial management. Similarly, these findings concurred with Njonde & Kimanzi (2014) who found out that there was great influence on quality of financial reporting in NCCG due to usage of IFMIS.

The second null hypothesis was IFMIS procurement has no significant effect on quality of financial reporting in Nairobi City County Government. From the outcome shown in Table 4.12, IFMIS procurement had influenced quality of financial reporting at ( $\beta=0.184$ , p value=0.006). This was an implication of significant effect as the p value was lower than 0.05 conventional value. Then, the study rejected the null hypothesis 2 as IFMIS procurement had positive significant

impact to quality of FR. This findings correlates with Ayim (2019) who argued that using IFMIS procurement improves reporting by providing frequent financial information to relevant personnel.

The third null hypothesis was IFMIS recording has no significant effect on quality of financial reporting in Nairobi City County Government. From Table 4.12 results, IFMIS recording had contribution of ( $\beta=0.156$ ,  $p \text{ value}=0.003$ ) where  $p$  value was below conventional value of 0.05. This means that IFMIS recording had significant and positive influence to quality of FR. The study reject the null hypothesis 3 as IFMIS recording had positive significant effect to quality of financial reporting. This agrees with Chalu (2019) argument that IFMIS recording process enhanced completeness and transparency of information. In addition, the findings are in line with Waweru & Ngaba (2019) who clarified that the system had the capacity to enhance real time production of financial reports.

The fourth null hypothesis was FMIS ICT has no significant effect on quality of financial reporting in Nairobi City County Government. The study results in Table 4.12 showed that ( $\beta=0.282$ ,  $p \text{ value}$  of 0.000) which was an indication that IFMIS ICT had positive influence of 0.282 to quality of financial reporting. The study reject null hypothesis 4 as the  $p$  value was lower than 0.05 indicating that IFMIS ICT had statistical significant effect to quality of financial reporting. The results were in line with Muigai (2012) who argued that for success of IFMIS there should be sufficient work force, internal support, financial resources, change management and commitment. Further, the findings agree with Mwaniki (2012) who found out that there was significant effect of technical complexity, capacity and culture on financial reporting in different public sectors.

Table 4.13 shows the summary of hypothesis results.

**Table 4.13: Hypothesis Results**

<b>Hypothesis</b>	<b>Decision</b>	<b>Research Results</b>
<b>H01:</b> IFMIS budgeting has no significant effect on quality of financial reporting in Nairobi City County Government.	Reject the null hypothesis	There was sufficient statistical evidence to support the positive effect that IFMIS budgeting had on quality of FR.
<b>H02:</b> IFMIS procurement has no significant effect on quality of financial reporting in Nairobi City County Government.	Reject the null hypothesis	IFMIS procurement had significant positive effect on quality of financial reporting.
<b>H03:</b> IFMIS recording has no significant effect on quality of financial reporting in Nairobi City County Government.	Reject the null hypothesis	IFMIS recording had positive significant effect on quality of financial reporting.
<b>H04:</b> IFMIS ICT has no significant effect on quality of financial reporting in Nairobi City County Government.	Reject the null hypothesis	There was sufficient statistical evidence to support the positive effect that IFMIS ICT had on quality of FR.

*Source: Researcher (2022)*

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents summary, conclusion, recommendations and suggestions for further study. The study was investigating the effects that IFMIS had on quality of FR in NCCG, Kenya. The summary of findings was derived from the four specific objectives of the research. The study conclusions and recommendations were drawn from the findings.

#### 5.2 Summary

Quality of financial reporting address all the issues that relates to accountability and transparency on public funds. The quality of FR is characterized by reliability, relevancy, understandability, timeliness, verifiability and faithful representation. In 2003, Kenya implemented IFMIS to improve service provision especially on financial matters raising accountability and transparency. The components of the system are budgeting, procurement, revenue, recording, communication, Business intelligence and ICT. IFMIS resolves major issues relating to poor control, unrealistic budgets, pending bills, fraud and mismanagement. Among all the 47 counties in Kenya, Nairobi City County is one of those that have financial reporting issues. Although NCCG incorporated IFMIS on its operations in 2013 after county government operations commenced, adverse opinion on the reports are always given.

The study had a general objective of investigating the effects that integrated financial management information system had on quality of financial reporting in Nairobi City County Government, Kenya. Specifically the study examined the effects of IFMIS budgeting, IFMIS procurement,

IFMIS recording and IFMIS ICT to the quality of financial reporting. Diffusion of Innovation, Systems and Agency theories supported the study for it to achieve its objectives.

The study used causal research design in gathering, measuring and analyzing data. It targeted 425 individuals working in the finance and economic planning department of Nairobi City County Government. This study used primary data together with secondary data collected from a sample of 20% of the target population consisting of 85 individuals. Primary data collection was through questionnaires where piloting was undertaken to improve its reliability and validity. Secondary data from different financial reports of NCCG were used in reinforcement of the primary data. Data collection commenced immediately after all the required documents were ready. The study analyzed and presented collected data using the predetermined methods and incorporated inferential statistics to help understand features in the data.

The response rate was 89%, which was adequate and excellent for data analyzation and drawing of conclusions. The study had both genders participating in the research with female respondents being 58% while the male occupied the other portion. The study obtained varied opinions as all age groups participated in the study with those aged 45-54 years been the majority. Further, the study deduced that all respondents were competent to take part in the study and give reliable responses as they had adequate academic qualifications with majority having diplomas. The respondents had adequate computer skills to operate the system with 63% possessing the intermediate computer skills. In addition, the data provided was reliable as majority of the respondents had experience on system operation and the possible effects it had on quality of financial reporting as 59% had worked in NCC for more than 10 years.

The first study objective was to examine the effect of IFMIS budgeting to quality of financial reporting in Nairobi City County Government. From the findings, IFMIS budgeting in NCCG had

positively affected different activities. Data showed that it had improved financial plans, operations, usage, comprehensiveness and coordination. Analysis of this data showed that IFMIS budgeting had positive effects to quality of financial reporting as 1 unit change in IFMIS budgeting led to 0.305 unit change on QFR. Additionally, IFMIS budgeting had highest influence to QFR when compared with the other independent variables in the study. Finally, IFMIS budgeting had significant effect on quality of financial reporting as the p-value was within the recommended threshold of  $<0.05$ .

The second objective that the study had was to examine the effect of IFMIS procurement on quality of financial reporting in Nairobi City County Government. The study results revealed that increase in profits, timely purchases, high quality of purchases, increased adherence to protocols and reduction in costs incurred are major positive effects of IFMIS procurement. Further, the results indicated that 1 unit change in IFMIS procurement led to 0.184 unit change on quality of financial reports in the county. This implied that IFMIS procurement process had positive significant effect to quality of FR, as the p value was below 0.05 conventional value.

The study's third objective was on establishing the effect that IFMIS recording had to quality of financial reporting in Nairobi City County Government. From the findings there was establishment that the system provided authentic recording, the records produced through IFMIS were reliable, there was integrity in recording using IFMIS and the system increased the usability of the records. Therefore, IFMIS recording had positively influenced the recording process in NCCG. IFMIS recording had a positive significant effect to the quality of FR. Further, the results indicated that 1 unit change in IFMIS recording led to 0.156 unit change on quality of financial reports in the county.

The fourth objective was to determine the effect that IFMIS ICT had on quality of financial reporting in Nairobi City County Government. The results revealed that the county had enough human resources operating the system. In addition, the county had efficient software system, clear procedures in operating the system, sufficient storage devices and IFMIS hardware systems. The study established that 1 unit change in ICT led to 0.282 unit change on quality of financial reports in the county. Integration of these ICT components had positive significant impact to the quality of financial reporting since the p value was below 0.05 conventional significant level.

### **5.3 Conclusion**

The study concludes that IFMIS budgeting improves the quality of financial reporting in Nairobi City County Government. The findings revealed that there was sufficient statistical evidence to support the positive effect that IFMIS budgeting had to quality of FR. This was through improved plans, operations, usage, coordination and comprehensiveness in all the financial matters.

According to the findings on IFMIS procurement, there is evidence of positive significant impact of IFMIS procurement to quality of financial reporting in NCCG. Increased profits, timely purchases, reduced costs, high quality purchases and improved adherence to protocols are benefits of using the system in procurement process. Therefore, the study concludes that IFMIS procurement has enhanced the quality of financial reporting in NCCG.

The study further concludes that IFMIS ICT has significant positive effect to the quality of financial reporting in NCCG. To produce high quality reports it is essential for IFMIS ICT to be of high standard level. High standard level of IFMIS ICT is achieved through ensuring that there is enough human resources, adequate storage devices, clear procedures, sufficient hardware systems and efficient software systems.

According to the study findings on effect of IFMIS recording to quality of financial reporting, the study concludes that IFMIS recording significantly and positively affected the quality of financial reporting in NCCG. Therefore, aspects of IFMIS recording such as authenticity, reliability, integrity and usability of financial matters influence financial reporting quality. IFMIS recording require high attention as the quality of reports produced depended on it.

Finally, the study makes conclusion that IFMIS has positive significant effect to the quality of financial reporting in Nairobi City County Government, Kenya. Production of reliable, relevant, understandable, timely, verifiable and faithfully represented financial reports depends on IFMIS.

#### **5.4 Recommendations**

The study recommends NCCG to use IFMIS often when budgeting and procuring. The findings revealed that both IFMIS budgeting and IFMIS procurement had positive significant impact to the quality of financial reports. IFMIS budgeting will help the county to improve financial operations, financial plans, enhanced financial resource usage, increased comprehensiveness and coordination of activities. In addition, the county will have increased in profits, timely purchases, high quality of purchases, increased adherence to protocols and reduction in costs if it procures through the system.

The study recommends special attention to be given to IFMIS recording process in NCCG. Therefore, for production of high quality reports using the system proper recording process is a critical thing. Recording process should be genuine, accurate, complete, retrievable and interpretable by all the users. Financial reports produced using the system are a replica of IFMIS records. Therefore, proper recording is inevitable in the county government when using system to record all financial information.

Finally, the study recommends Nairobi City County Government to maintain the state of its ICT system. The finding revealed that IFMIS ICT had significant positive effect to quality of FR. The county had enough storage devices and hardware system. Further, there was adequate human resources to operate the whole system efficiently. However, NCCG should make improvement on system operation procedures and efficiency of software system. Attainment of complete and good ICT system will not only enhance production of high quality financial reports but also improve IFMIS budgeting and procurement process in NCCG.

### **5.5 Suggestion for Further Research**

Investigating the effects of IFMIS to the quality of financial reporting in Nairobi City County Government, Kenya was the study focus. There is a need for future researchers to conduct a similar study in a different county government or even the national government. In addition, the study focused only on budgeting, procurement, recording and ICT as the components of IFMIS, hence further study may be conducted on other different components of IFMIS.

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## APPENDICES

### Appendix I: Research Questionnaire

This questionnaire is prepared with intention of collecting data to help in investigating the effects that Integrated Financial Management Information System (IFMIS) has to the quality of financial reporting in Nairobi City County Government, Kenya. The data collected using this questionnaire is confidential and required only for academic purposes. Please respond to the best of your awareness and in a sincere manner to all the questions below.

#### Section A: General Information

In this section kindly tick where suitable.

1. What is your gender?

Male

Female

2. Which age group are you in?

24 Years and Below

25-34 Years

35-44 Years

45-54 Years

55 Years and Above

3. What is your education level?

Certificate

Diploma

Degree

Postgraduate

4. Which category of computer skills do you have?

- Fundamental
- Basic
- Intermediate
- Advanced
- None of the above

5. How long have you worked in Nairobi City County in Accounting and Finance Department?

Less than 1 Year  2 - 5 Years  6 – 10 Years  Above 10 Years

6. a) Do you perform your duties in the county using IFMIS?

Yes  No

b) If yes, kindly indicate your frequency for using it.

Daily  Weekly  Monthly  Annually

**Section B: Effects of IFMIS to the quality of financial reporting.**

In this section for all the questions 1 to 5, you will be required to state for part (a) and then for part (b) you will point out by ticking the range to which you agree to question in Likert scale. Clarification of some questions done in brackets for easier and better understanding of questions.

**1. IFMIS Budgeting and quality of financial reporting in Nairobi City County Government**

a) Kindly state any effects that you think IFMIS budgeting has to the quality of financial reports.

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b) Which scoring range are you in agreement with the statements below on IFMIS budgeting in Nairobi City County Government? Given that (5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree) use this Likert 1-5 scale in responding.

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
There is improved financial plans due to budgeting using IFMIS.					
IFMIS budgeting has improved financial operations in the county.					
Budgeting using IFMIS has enhanced usage of financial resources.					
Budgeting through IFMIS has increased comprehensiveness. (All activities and operations are included in budget).					
There is increased coordination of operational activities because of budgeting using IFMIS.					

**2. IFMIS Procurement and quality of financial reporting in Nairobi City County Government**

a) Kindly state any effects that you think IFMIS procurement has to the quality of financial reports.

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b) Which scoring range are you in agreement with the statements below on IFMIS procurement in Nairobi City County Government? Given that (5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree) use this Likert 1-5 scale in responding.

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Procurement through use of IFMIS has increased the profits in the county.					
The system has enhanced timely purchases.					
IFMIS usage in procurement has led to reduced costs involved.					
There is high quality of purchases due to use of the system.					
Procurement process through IFMIS has increased compliance. (Adhering to protocols).					

**3. IFMIS recording and quality of financial reporting in Nairobi City County Government**

a) Kindly state any effects that you think IFMIS recording has to the quality of financial reports.

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b) Which scoring range are you in agreement with the statements below on IFMIS recording in Nairobi City County Government? Given that (5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree) use this Likert 1-5 scale in responding.

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
IFMIS provides authentic recording. (The records are genuine and may be proven).					
There is reliability of records provided by IFMIS system. (Records are accurate and can be trusted).					
There is integrity in recording through the IFMIS system. (Records are complete and protected from unauthorized changes).					
The system increases the usability of the records. (Retrievable, presented and interpreted).					

**4. IFMIS ICT and quality of financial reporting in Nairobi City County Government**

a) Kindly state any effects that you think IFMIS ICT has to the quality of financial reports.

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b) Which scoring range are you in agreement with the statements below on IFMIS ICT in Nairobi City County Government? Given that (5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree) use this Likert 1-5 scale in responding.

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
There is sufficient storage devices for use in IFMIS activities.					
There is enough human resources (workers) operating the IFMIS system.					
There is clear procedures used in operating the IFMIS system.					
There is efficient software system. (The programs and operating information used by IFMIS computer).					
There is sufficient IFMIS hardware. (Physical parts of computers).					

**5. IFMIS and Quality of financial reporting in Nairobi City County Government**

a) From your own point of view, Kindly state any effects that you think IFMIS has to the quality of financial reports.

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b) Which scoring range are you in agreement with the statements below on IFMIS and quality of financial reports in Nairobi City County Government? Given that (5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree) use this Likert 1-5 scale in responding.

Statement	5	4	3	2	1
IFMIS has increased reliability of financial reporting. (The reports are accurate, consistent and free from bias).					
IFMIS has increased relevance of financial reporting. (The reports are predictable and confirmable).					
IFMIS has enhanced understandability in financial reports. (The reports are clear, concise, organized and complete).					



## Appendix II: Secondary Data Collection Guide

The researcher rated the statements below using a scoring range of 1-5 depending on level of quality established. Where 5 = Excellent, 4 = Very Good, 3 = Good, 2 = Fair and 1 = Poor.

<b>Statement</b>	<b>2016- 2017</b>	<b>2017- 2018</b>	<b>2018- 2019</b>	<b>2019- 2020</b>	<b>2020- 2021</b>
Financial reports reliability (Similarity between internal and external reports, accuracy and consistency of the reports).					
Financial reports relevance (Extent of using fair value instead of historical cost and provision of feedback on significant transactions).					
Financial reports understandability (Clear, concise, organized and complete for all to understand).					
Financial reports timeliness (Delays in payments or receipting, time to make corrections and frequency of internal auditing).					
Financial reports verifiability (Consensus, correspondence and clear documentation).					
Financial reports faithful representation (Complete, neutral, error free and obeying chosen accounting principles).					

## Appendix III: Research Approval Letter



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 2<sup>nd</sup> June, 2022

TO: Boniface Makau Ngala  
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/27320/2019

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 4<sup>th</sup> May, 2022 approved your Research Project Proposal for the M.B.A Degree Entitled, “**Integrated Financial Management Information System and Quality of Financial Reporting in Nairobi City County Government, Kenya.**”

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

ANNBELL MWANIKI  
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Salome Musau  
C/o Department of Accounting and Finance  
Kenyatta University

AM/mo

Appendix IV: NACOSTI Research Permit

 REPUBLIC OF KENYA	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
RefNo: <b>235200</b>	Date of Issue: <b>13/July/2022</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Mr. BONIFACE MAKAU NGALA of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM AND QUALITY OF FINANCIAL REPORTING IN NAIROBI CITY COUNTY GOVERNMENT, KENYA. for the period ending : 13/July/2023.</b>	
License No: <b>NACOSTI/P/22/18682</b>	
235200 Applicant Identification Number	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	Verification QR Code 
<b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</b>	

## Appendix V: County Government Research Authorization Letter

### NAIROBI CITY COUNTY

Telephone: +254 20 2221349  
Web: www.nairobi.go.ke



City Hall  
P .o. box 30075-00100  
Nairobi  
Kenya

### PUBLIC SERVICE MANAGEMENT

Ref: NCC/HRD/HRM/10/391/GKG/2022

Date: 18<sup>th</sup> July, 2022

Kenyatta University  
P.O. Box 43844 - 00100  
Nairobi.

Att: Mr. Boniface Makau Ngala

#### RE: RESEARCH AUTHORIZATION

Reference is hereby made to your letter dated 2<sup>nd</sup> June, 2022 on the above subject:

The Nairobi City County Government has approved your request subject to the following:

1. The period of Research has been extended from 18<sup>th</sup> July 2022 to 29<sup>th</sup> July 2022. Your Research Study will be within Nairobi City County.
2. You are expected to adhere to the rules and regulations pertaining to the research study.
3. That during your study there will be no costs devolving on the County.
4. That you undertake to indemnify the County against any claim that may arise from your research study.
5. You are required to submit a **Copy of the Final Research Document** within one month after completion to the Human Resource Development.
6. Research will be on:  
**“Integrated Financial Management Information System and Quality of Financial Reporting in Nairobi City County Government, Kenya”**

The Chief Administrative Officer, Finance and Economic Planning Sector is requested to accord you the necessary assistance.

A handwritten signature in blue ink, appearing to read 'Charles Choi', written over a horizontal line.

**CHARLES CHOI**  
**FOR: DIRECTOR HUMAN RESOURCE DEVELOPMENT.**