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

Boniface Makau Ngala.
MBA (Accounting) Student, Kenyatta University, Kenya.
Dr. Salome Musau.
Lecturer, School of Business, Kenyatta University, Kenya.

2022
International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 20th October 2022

Published: 2nd November 2022

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v3_i7_453_473.pdf

Citation: Ngala, B. M., Musau, S. (2022). Integrated financial management information system and quality of financial reporting in Nairobi city county government, Kenya. *International Academic Journal of Economics and Finance, 3(7), 453-473.*

ABSTRACT

Quality of financial reporting address all issues relating to accountability and transparency on public funds. In 2003, Kenya implemented IFMIS to improve service provision especially on financial matters. Although Nairobi City County Government incorporated IFMIS on its operations in 2013, it has financial reporting issues as adverse opinion on the reports are always given. The study aimed at investigating the effects of IFMIS to the quality of financial reporting in Nairobi City County Government, Kenya. IFMIS Budgeting, IFMIS Procurement, IFMIS Recording and IFMIS ICT were the key variables of the study. Diffusion of Innovation theory, Systems theory and Agency theory supported the study. The study used causal research design targeting 425 individuals working in finance and economic planning department in NCCG. The study used 20% of the target population as sample forming a sample size of 85 respondents. Primary data collected through questionnaires and secondary data from different financial reports of NCCG were used in the study. Multiple regression analysis assisted in determination of cause and effect relationship between IFMIS and quality of financial reporting. SPSS aided in analysis and the findings were presented in tables and prose writings. The study concluded that IFMIS budgeting and IFMIS procurement enhanced the quality of financial reporting in NCCG. The study further concluded that IFMIS ICT and IFMIS recording had positive significant effect to the quality of financial reporting in NCCG. Finally, the study made a general conclusion that IFMIS had positive significant effect to the quality of financial reporting in NCCG. The study recommended that NCCG should often budget and procure using IFMIS. Secondly, the study recommended special attention on financial recording process when using IFMIS. Finally, the study recommended NCCG to maintain the state of its ICT system as it has positive impact to quality of FR, IFMIS budgeting and IFMIS procurement.

Key Words: Integrated Financial Management Information System (IFMIS), IFMIS Budgeting, IFMIS ICT, IFMIS Procurement, IFMIS Recording, Quality of Financial Reporting and Financial Reports.

INTRODUCTION

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. According to NTP (2021), 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. In Tanzania, they have adopted IFMIS, which has enhanced productiveness and reduced duration for financial reporting hence improved QFR (Chalu, 2019).

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.

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. QFR is very important condition for effective performance of the accounting system and its utility (Achim, 2014). There was improved quality and reduced complications in reporting as result of using set standards. There are fundamental and enhancing characteristics elaborated by IASB and FASB conceptual framework based on how they manipulate utility of financial information. 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.

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) explained that poor control, unrealistic budgets, pending bills, fraud and mismanagement were major issues due to lack of IFMIS. The system had many advantages as compared to its drawbacks in different operational areas of organizations. Therefore, this study purposed to investigate effects that IFMIS budgeting, procurement, recording and ICT had in relation to quality of financial reporting.

Nairobi City County Government

Nairobi was founded in 1899 by British East Africa colonial authorities. Under the new constitution of 2010 it is among the Kenyan 47 counties formed after been converted from Nairobi province. 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 incorporating IFMIS in its 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 where 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.

Statement of the Problem

Different stakeholders in a given organization enjoy varied benefits accumulating from the quality of their financial reporting. Yasseen et al. (2020) concludes that 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 (GOK, 2011). 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.

Academicians and researchers in connection to the subject under study have come up with different opinions and ideas that relates to IFMIS and finance sector. Local findings in relation to this topic clarified that training in IFMIS was important for quality and effective cash management (Chumba, 2014). Cherono (2016) reported that it improved the timeliness in reporting similarly, (Waweru & Ngaba, 2019) clarified that it consolidated transactions in a timely manner. IFMIS was key determinant of performance in varied public sectors (Ayim, 2019). There was improved monitoring of revenue collection and spending through use of IFMIS (Opiyo, 2017). Finally, according to Mwaniki (2012), IFMIS lacked ability in finance management due to unclear system specification. According to Chalu (2019), implementation of IFMIS improved understandability and reliability of financial reports leaving negligible impact on the relevance of FR. This regional study was very close to the topic under study thou a different method was used. A research outside Africa by (Herath and Albarqi, 2017) concluded that complex and competitive business environments require understanding and knowledge on quality of financial reporting. Assessing all these studies there was methodological, empirical and knowledge gaps to address.

Nairobi City County was among the 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. Many researches and testimonies by different individuals showed that IFMIS has a lot to help different economic sectors. 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 and adverse audit opinion in any organization may be associated with financial reports. Due to large empirical gaps, this study was enhancing the area by investigating the effects of IFMIS to quality of financial reporting in Nairobi City County Government, Kenya. Key research variables were IFMIS procurement, budgeting, recording and ICT.

Research Hypotheses

The following hypotheses guided the study:

- **H_{01}:** IFMIS budgeting has no significant effect to quality of financial reporting in Nairobi City County Government.
- **H_{02}:** IFMIS procurement has no significant effect to quality of financial reporting in Nairobi City County Government.
- **H_{03}:** IFMIS recording has no significant effect to quality of financial reporting in Nairobi City County Government.
- **H_{04}:** IFMIS ICT has no significant effect to quality of financial reporting in Nairobi City County Government.

LITERATURE REVIEW

Theoretical Literature

Diffusion of Innovation Theory is 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. 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, which refers to adopters in a product life cycle. The groups are creators, adopters at beginning, first majority, majority at the end and idlers. Associated benefits, compatibility, testability, complicacy 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 thou 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. Quality of FR depends on IFMIS, which unclear specifications lead to failure in function (Mwaniki, 2013).

Ludwig Von Bertalanffy introduced the Systems 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. 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. 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, the theory was valuable as it laid base for ICT system development, which was one among the major components of IFMIS. There is need to integrate all the components to aid in analysis and coming up with suitable solution to a problem (Ashby, 2010). 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.

In the year 1973, Stephen Ross and Barry Mitnick developed Agency Theory. There is principal-agent relationship that exist for one to represent another in a given situation as per the theory. In most modern organizations principals (shareholders and owners) grants permission to the agents (managers or workers) to act on their behalf (Bowie & Freeman, 1992). 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. The 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). The theory helps organizations to select and identify the good performers in order to retain and promote them for better organizational results. The 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. 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.

Empirical Review

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. Kibunja (2017) assessed how planning, implementation and monitoring of budget affects performance in financial matters. This was through a study conducted on budgetary process and financial performance of Murang'a county government using regression analysis. The study revealed that there was significant effect of budgeting using system on the county financial performance and clarified that IFMIS improved financial controls by reducing leakages of resources leading to accountability of officers. The current study conducted in NCCG to address geographical gap that exists. Similarly, Opiyo (2017) argued that IFMIS budgeting improves quality of financial reporting by enhancing certainty and believability. Through a study carried out 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. 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 did not pay attention to quality of reports produced through the system where the current study aimed at filling that gap.

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 and if well 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. The study was 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 similar research on IFMIS effectiveness on public sector financial management in Kenya. 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 as it provided transparent and comprehensive information that enhanced credibility and confidence in budget. The study focused on financial management creating a gap in financial reporting which the current study filled.

Procurement is the procedure of acquiring goods and services by organization to support its operations. National Treasury (2021) refers IFMIS procuring to e-procurement; describing it as process of obtaining goods and services and making payment on them. 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 showed that presence of IFMIS financial information improves the decision made on the procuring process. Using IFMIS procurement improved 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 was considered creating a gap on financial reporting which current study filled. Ndzovu (2019) conducted a similar 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 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.

Recording in accounting is 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. 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 secondary data 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 clarified 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. Similarly, 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.

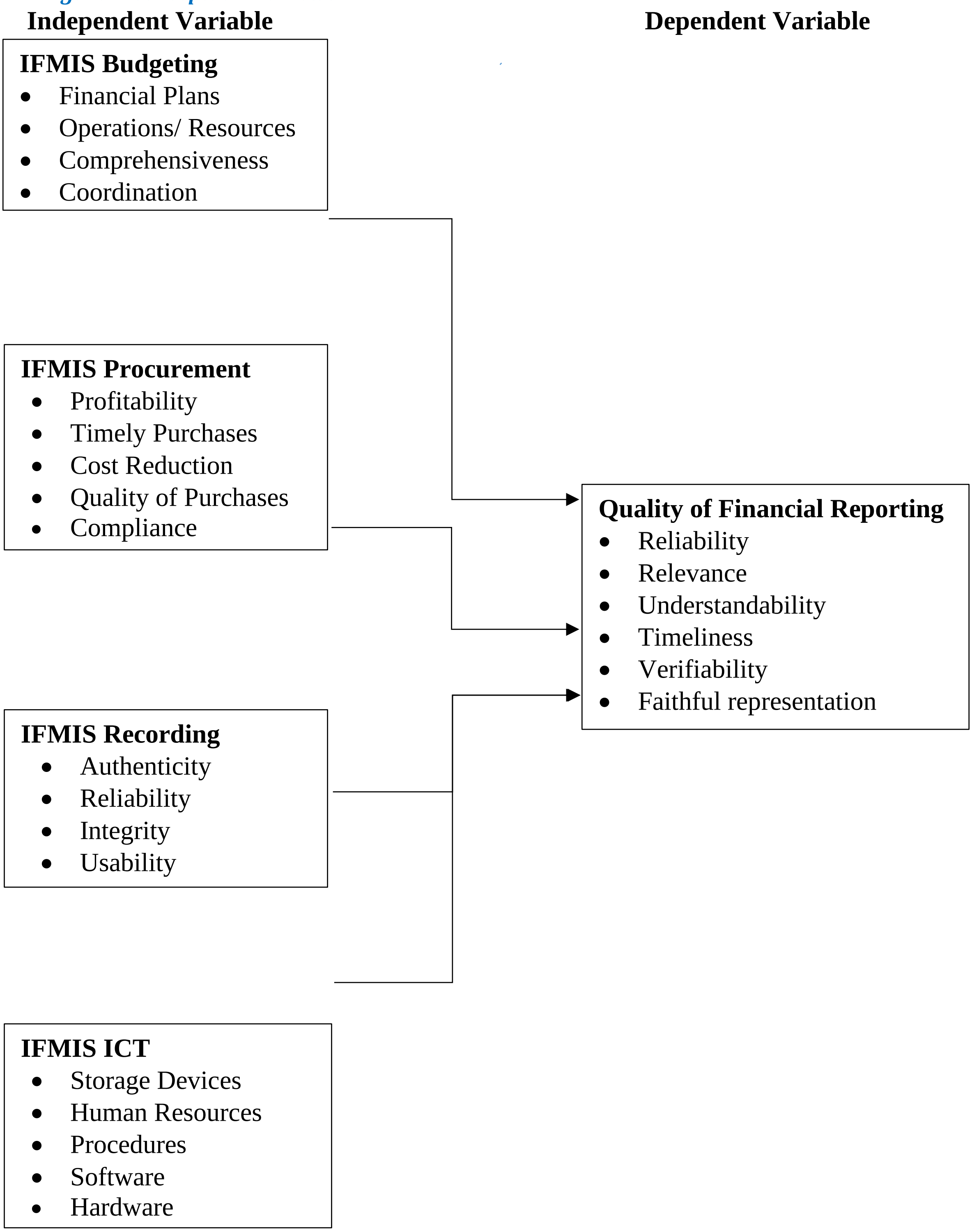
Information and Communications Technology (ICT) is defined as information transmitting, storing, creating, sharing and exchanging modes of technology (UNESCO, 2006). Nyangaresi (2016) clarifies that capacity building, IT infrastructure, culture, policies/ regulations and human resources, are success factors in IFMIS implementation and performance. 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 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 where 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. 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.

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 1 below is conceptual framework displaying the relationship between IFMIS and quality of financial reporting in Nairobi City County Government.

Figure 1:Conceptual Framework



Source: Researcher (2022)

RESEARCH METHODOLOGY

The study used causal research design as it portrays evidence of any cause and effect relationship of the variables. The study targeted all finance and economic planning department employees in NCCG as they 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. Researcher applied stratified random sampling method, since it provided good coverage of the whole population hence a greater precision. The study used 20% of the whole population as the sample forming a sample size of 85 workers. Questionnaires were utilized in primary data collection while secondary data was obtained from previous county government financial reports. The research data was gathered with reference to 5 financial years of the county government from the year 2016 to 2021. Piloting process took place prior to data collection to enhance validity and reliability of questionnaire.

The researcher prepared a sample data summary by aid of the descriptive statistics. 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 the form $Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + €$

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, β_0 = constant, β_1, β_2, β_3 and β_4 = Coefficients and €= 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 researcher presents the study findings in tables and prose writings. Significance test was executed to ensure that there was adherence to all the assumptions in the model. A significant level of 0.05 or 5% accepted giving a confidence level of 95%. Executing this statistical technique gave the exact degree of causal relationship strength and important between QFR and IFMIS.

RESEARCH FINDINGS AND DISCUSSION

Descriptive Statistics

From the study findings, IFMIS budgeting in NCCG had positively affected different county activities. Data showed that it had improved financial plans, operations, usage, comprehensiveness and coordination. These findings concured with Kibunja (2017) which found out that IFMIS budgeting improved financial controls. Similarly, they coincided with Njonde & Kimanzi (2014) where the findings showed that IFMIS budgeting led to effective service provision. Further, 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. 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.

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. These findings agreed with Cherono (2016) who found out that the system had minimal down time, easy record storage and retrieval. Similarly, the findings concurred with Chalu (2019) who established that the process enhanced easy storage of financial data, completeness and transparency of information. In investigation of IFMIS ICT and quality of FR relationship, the study 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. Therefore, NCCG had standard level of ICT with all the components being available and if highly integrated they will realize the 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.

The results revealed that there was increased reliability of financial reports in the county in relation to accuracy, consistency and similarity to external auditor reports. Similarly, IFMIS increased the relevancy of financial reports as respondents agreed that there was confirmability and predictability of the reports. Additionally, the study findings indicated that IFMIS had improved the verifiability of financial reports, as there was clear and supporting documents. IFMIS increased understandability of financial reports in NCCG because they were organized, clear, complete and concise. Further, IFMIS had enhanced faithful representation of reports based on completeness, accuracy and compliance to prescribed format of reporting by the PSASB. Finally, IFMIS had enhanced timeliness of the reports this implied that reports not delayed, there was enough time to correct errors and frequency of reporting was good.

Inferential Statistics

The study used multiple regression analysis to assist in determination of causal relationship that existed between IFMIS and the quality of FR. From the results, inferences were made on the whole population based on the sampled data. 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 below in Table 1.

Table 1: Correlation

		IFMIS Budgeting	IFMIS Procurement	IFMIS Recording	IFMIS ICT	FR Quality
IFMIS Budgeting	Pearson Correlation	1				
IFMIS Procurement	Pearson Correlation	.866**	1			
	Sig. (2-tailed)	0.000				
IFMIS Recording	Pearson Correlation	.844**	.751**	1		
	Sig. (2-tailed)	0.000	0.000			
IFMIS ICT	Pearson Correlation	.907**	.898**	.758**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
FR Quality	Pearson Correlation	.951**	.907**	.848**	.938**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

Source: Researcher (2022)

From Table 1, the results revealed that IFMIS budgeting and Quality of FR had strong and positive relationship where the correlation values were (r=.951**, p-value=0.000). This results indicated that IFMIS procurement and quality of FR had positive and strong relationship (r=.907**, p-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-value=0.000). Additionally, the study results indicated that IFMIS ICT and quality of FR had positive and strong relationship (r=.938**, p-value=0.000). All the Pearson values in this study were above 0.8 indication of stronger relationship with the study's dependent variable. The significance level of 0.000 that was lower than the 0.05 conventional level indicated that IFMIS budgeting, IFMIS procurement, IFIMIS recording and IFMIS ICT highly influenced the quality of financial reporting in NCCG.

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 2 below.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.975	0.950	0.947	0.13921

Source: Researcher (2022)

From Table 2 above, the study established that correlation coefficient was 0.975 as indicated by R, this was an implication of good level of prediction on quality of FR. 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. However, the remaining 5.3% variations in the quality of FR were due to other factors outside the study scope.

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 3 below.

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.143	4	6.536	337.250	.000
	Residual	1.376	71	0.019		
	Total	27.519	75			

Source: Researcher (2022)

From research findings in Table 3, 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.

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 below in Table 4.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(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

Source: Researcher (2022)

The study findings in Table 4 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 (β=0.305, p-value=0.000) and IFMIS procurement would enhance quality of financial reporting by (β=0.184, p-value=0.006). Similarly, IFMIS recording would increase quality of financial reporting by (β=0.156, p-value=0.003) while IFMIS ICT would raise the quality of financial reporting by (β=0.282, p-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.

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 to quality of financial reporting in Nairobi City County Government. From the study results in Table 4, IFMIS budgeting had β= 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 to quality of financial reporting in Nairobi City County Government. From the outcome shown in Table 4, IFMIS procurement had influenced quality of financial reporting at (β=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 to quality of financial reporting in Nairobi City County Government. From Table 4 results, IFMIS recording had contribution of (β=0.156, p value=0.003) where p value was below conventional value of 0.05. This meant 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 agreed 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 to quality of financial reporting in Nairobi City County Government. The study results in Table 4 showed that (β=0.282, p 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.

CONCLUSIONS AND RECOMMENDATIONS

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. Further, the findings on IFMIS procurement provided 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. Further, 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. 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.

From the results, the study first recommends NCCG to use IFMIS often when budgeting and procuring. IFMIS budgeting will help the county to improve financial operations, financial plans, enhance financial resource usage, increase comprehensiveness and coordination of activities. In addition, the county will have increased profits, timely purchases, high quality of purchases, increased adherence to protocols and reduction in costs if it procures through the system. Secondly, the study recommends special attention on IFMIS recording process as 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 hence proper recording is inevitable. Finally, the study recommends NCCG to maintain the state of its ICT system. The finding revealed that 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.

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