

Impact of financial management system on financial reporting of local government in Uganda, a case study of Kisoro district local government

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Abstract

The study looks at the effect of Uganda's local governments' financial reporting and uses the local government of the Kisoro district as a case study. It is directed by the following objectives. In order to clarify the extent to which the implementation of internal control systems has impacted the return on capital employed, it is important to look at how budgeting mechanisms have enforced accountability in the handling and use of public resources., to examine the impact of the auditing information systems on the local government of Kisoro district's profitability. The study discovered a connection between the local government of Uganda's financial reporting and its financial management system. Data were collected using both qualitative and quantitative research methodologies, and coding and SPSS were used to analyze the data. The study used a cross-sectional research design. The study suggests using proper financial management and financial reporting tools by the local administration of the Kisoro district.

Key words: financial management system, financial reporting and local government

Back ground of the study

Numerous research on the financial management system have been conducted (Gracious, 2023). It connects planning, budgeting, controlling and managing spending, accounting, auditing, and reporting (Moses et al., 2023). With the turbulence of the globe have arisen quick-moving, dynamic developments that make the most of the little amount of time available (Innocent et al., 2023). This, along with other factors, sparked the IFMIS revolution. The purpose of the Integrated Financial Management Information System (IFMIS) is to continuously link, gather, process, and transmit information to all participants in the budget system. The secret to any successful IFMIS is integration, which denotes that the system uses standardized data classification for recording financial events, has internal controls over data entry, transaction processing, and reporting, has common processes for similar transactions, and has a system design that prevents needless duplication of data entry (Racheal, Enock, et al., 2023).

According to (Rodin-Brown, 2008), a more complete, well-integrated system will provide timely, accurate, and consistent data for management and budget decision making (Annet et al., 2023), support government-wide as well as agency-level policy decisions, integrate budget and budget execution data, allowing for greater financial control and reducing opportunities for discretion in the use of public funds, provide information for budget planning, analysis, and government-wide reporting, and facilitate budgeting processes (Ntirandekura & Christopher, 2022a). The Ugandan government has been able to address many of the fiduciary problems it was facing before 2003 thanks to the introduction of the IFMS. The local government for the Kisoro district is in the Kigezi area.

Received: 17.12.2023

Accepted: 23.12.2023

Published on: 30.12.2023

Statement of the problem

Many governments at various levels have adopted the Integrated Financial Management System to improve transparency and in public finance management (PFM) (Micheal et al., 2023). In order to improve public finance management (PFM; Government of the Republic of Uganda, Ministry of Finance, 2006), a standardized chart of accounts, efficient budgetary and commitment control, and ease of monitoring and reporting are all goals (Moses et al., 2023). Despite the government's efforts to fulfill the goals of the IFMS, local government corruption has persisted at a high level, and regular load shading and network outages have slowed down activity (Tasha et al., 2023). Therefore, using Kisoro Local Government Headquarters as a case study, the researcher is compelled to carry out research to determine the degree to which IFMS influences on financial reporting in the local government sector.

Objectives

1. The effects of Integrated financial management system on financial reporting.
2. The Effect of IFMIS on Transactions Processing in Public Sector Organizations.
3. The effect of internal control systems on the capital employed in public sector organizations.

Review of related literature

According to Diamond and Khemani (2005), an IFMS is made up of a number of components that each have a unique role. The following modules and systems were recognized as the essential components of an IFMS: Payroll system, budget development, procurement, project ledger, general ledger, budgeting accounting, accounts payable and receivable, accounts payable and receivable, and asset module (Akankwasa et al., 2022). Furthermore, Diamond and Khemani confirmed that IFMS provides the information required for decision making in an organization (F. Christopher, Muhindo, et al., 2022). The advantages of IFMS, according to Mc Kinnery (2004), might be said to be significant. First, the better procedure for recording government financial transactions also makes it quick and easy to access trustworthy financial controls, making it possible to maintain an accurate record of commitments and outlays (F. Christopher, Moses, et al., 2022). According to Simson et al. (2011), financial reporting requires that data from the accounting system be extracted and presented in a way that makes it easy to do analysis. Governments generate a variety of reports for both internal and external use. Reports often comprise revenue reports, mid-year reports, fiscal reports, monthly reports on the implementation of the financial strategy, and daily reporting on hard cash flows (Racheal, Kazaara, et al., 2023). According to (Frank et al., 2023), financial statements need to be approved by an auditor in order to be considered authentic. A statement that has been verified by an auditor was accepted by all without raising any questions about its accuracy or credibility. According to (T. Christopher, 2022), financial reports accurately reflect the organization's position and future prospects. In addition to misleading the public, inaccurate information can result in fines and penalties (Turyatemba et al., 2022). Personal bias and financial statement window dressing should not exist. According to Diamond and Khemani (2005), IFMS would provide the information needed to make decisions. It should be built to carry out all necessary accounting operations and provide customized reports for internal and external usage. It is anchored in the government accounting system for this purpose. Walker (2008) asserts that modern integrated financial

Received: 17.12.2023

Accepted: 23.12.2023

Published on: 30.12.2023

systems, whether used for program management, budgetary control, or proprietary accounting goals, rely on transaction-based inputs to update all pertinent accounts. These contemporary, integrated technologies accurately convey the results of financial transactions made in one application and carry financial data in a standard format.

Research Methodology

To gather opinions on the Financial Management System for Financial Reporting of Local Government in Uganda, the research study used a descriptive research approach. From the Kisoro local government, 33 respondents were chosen as the target population. To easily achieve findings, stratified and purposeful sampling procedures were used. Data collection methods included surveys and interviews. Calculations of the data's correlation analysis mean and standard deviation were made using the statistical software for social scientists. The study's focus area was the Kisoro district of the local government. Data from both qualitative and quantitative sources were corrected using questionnaires and interviews before being analyzed with SPSS. Data was analyzed inform of tables, frequencies and percentages using SPSS (Nelson et al., 2022).

Results

Budgeting systems have ensured accountability in handling and use of public resources

Table 1 showing how budgeting system have ensured accountability in handling and use of public resource.

	frequency	percentage
IFMS enables Kisoro District local government to understand the true cost of service delivered by the district per Employee	10	30.3
IFMS provide analytical tools within budgeting systems that enables trend analysis of various elements of fiscal operations at the district of Kisoro local government	10	30.3
Budgeting accurately discloses the financial position of the district local government	5	15.2
Budgeting allows easy access of to derive the specific information required by individuals to carry out their work	8	24.2
Total	33	100

source field survey, 2023

The perspectives of respondents on how financial incentives effect employee performance are shown in the comments in the table above. Of those, 30.3% said that IFMS helps the Kisoro District local government comprehend the true cost of service

Received: 17.12.2023

Accepted: 23.12.2023

Published on: 30.12.2023

provided by the district per employee (Ntirandekura & Christopher, 2022b).

In the district of Kisoro local government, 30.3% of respondents claimed that IFMS offers analytical tools within budgeting systems that enable trend analysis of various fiscal operations components. 15.2% of respondents claimed that budgeting correctly reveals the district local government's financial situation, and 24.4% stated that budgeting makes it simple for people to acquire the precise information they need to do their jobs.

Introduction of internal control systems has affected the return on capital employed

Table 2 showing how introduction of internal control systems has affected the return on capital employed

	Frequency	percentage
All district transactions, both receipts and payments are processed through IFMS	8	24.2
All district transactions, both receipts and payments are processed through IFMS	10	30.3
IFMS has ensured that the district local government budget is executed in accordance with the rules to prevent overspending	10	30.3
IMFS has automated procedures and internal controls which promotes accountability	5	15.2
Total	33	100

Source field survey 2023

According to the replies in the aforementioned table, respondents' perspectives on how the implementation of internal control systems has impacted the return on capital utilized varied. IFMS is used to process all district transactions, including payments and receipts, according to section 24.2%, All district transactions, including payments and receipts, are conducted through IFMS, as agreed upon in 30.3%; 15.2% claims that IFMS includes internal controls and automated processes that encourage accountability (Annet et al., 2023).

Auditing information systems have affected the profitability

Table 3 showing how the auditing information systems have affected the profitability in Kisoro district local government

	frequency	percentage
Audit helps in support of a financial statements audit	4	12

Received: 17.12.2023

Accepted: 23.12.2023

Published on: 30.12.2023

Audit is used to evaluate compliance to applicable laws, policies and standards	17	52
Audit can also help in performance (or value-for-money)	12	36
Total	33	100

Source field study 2023

The table above shows that various respondents provided various responses. A financial statements audit is supported by auditing financial statements, according to 12%; compliance with applicable laws, regulations, and standards is evaluated by auditing financial statements, according to 52%; and performance (or value for money), according to 36% (Polycarp et al., 2023)

Conclusion

According to the study, the integrated financial management system (IFMS) has a strong relationship with how well Kisoro District's public sector organizations perform. IFMS allows the local government of Kisoro District to comprehend the true cost of services provided by the district on a per-unit basis.

Activity. According to the report, IFMS has significantly reduced irregular and inefficient spending.

Recommendations

The following advice was provided by the research study: utilize a financial management information system to enable accurate financial reporting and proper responsibility for public funds.

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Received: 17.12.2023**Accepted: 23.12.2023****Published on: 30.12.2023**

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