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INFLUENCE OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM ON FINANCIAL MANAGEMENT IN COUNTY GOVERNMENT OF NAKURU, KENYA

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Abstract

The integrated financial management information system (IFMIS) is a computerized reporting system used by Kenya government to plan and use its financial resources more effectively. The purpose of this study was to assess the influence of IFMIS on financial management in county government. The study was undertaken in the Treasury department in the County Government of Nakuru, Kenya. Descriptive research design was used in the study. The target population under study was 104 staffs of Nakuru County. A sample of 51 staff working in the finance, accounts, procurement and audit department was chosen. Data was collected using questionnaires. Data collected from the questionnaire was analyzed using statistical package for social sciences (SPSS) version 21.0. Data was summarized using descriptive statistics (frequencies, percentages, means and standard deviations) and inferential statistics (Pearson correlation). The findings were presented in tables and discussions thereof. The study established that financial reporting had a strong positive significant relationship with financial management in the county government of Nakuru. The study recommended that the county government should embark on the process of enhancing their usage of IFMIS to improve on financial reporting in order to enhance financial management in the county government.

Keywords: Financial reporting, IFMIS, Financial management, County government, Kenya

INTRODUCTION

Public Finance Management (PFM) basically deals with all aspects of resource mobilization and expenditure management in government. Just as managing finances is a critical function of management in any organization, similarly public finance management is an essential part of the governance process. A strong Public Financial Management (PFM) system is a catalyst for economic growth and development (Ajayi & Omirin, 2007). It ensures that the government and its departments raise, manage, and spend public resources in an efficient and transparent way with the aim of improving service delivery.

Sound systems, strong legal and regulatory frameworks as well as a competent and productive civil service are the cornerstones of an efficient PFM regime. Public Financial Management (PFM) reforms have been identified as the drivers to efficient public service delivery and creation of wealth and employment (Asselin & Srivastava, 2009). The decision function of financial management can be broken down into three major areas: the investment, financing, and asset management decisions. It is also concerned with the financial decisions that must be made in order to maximize shareholders' wealth or donors'/contributors' stipulations.

According to Pandey, (2004) financial management is that managerial activity that deals with the planning and controlling of the firm's financial resources. Though it was a branch of Economics till 1890, as a separate activity or discipline it is of recent origin. Still it has no unique body of knowledge of its own, and draws heavily on Economics for its theoretical concepts even today. According to Government of Kenya (GoK, 2011), over the last decade the Government of Kenya has undertaken a number of PFM reforms aimed at enhancing accountability and transparency. These reforms have targeted the core PFM systems of budget formulation and execution, public procurement, revenue collection, internal and external audit, parliamentary oversight, payroll and pensions, public debt and guarantees, accounting and reporting, the macro-fiscal framework and cash management.

The broad objective of these reforms is to strengthen PFM systems by enhancing transparency, accountability and responsiveness to public expenditure policy priorities. The PFM reform is also instrumental in the fight against wasteful spending and corruption. Various studies show positive results and an improved performance by the public financial systems, although challenges still remain in key areas of the economy. One major improvement in the public sector is cash management (Ajayi & Omirin, 2007).

Njuru (2011) noted that the Kenyan e-government was launched in 2004 by the administration of President Mwai Kibaki. According to the President, the main objectives of implementing e-government were to: Enhance delivery of public services, improve information flow to citizens, promote productivity among public servants and encourage citizens' participation. According to Gichoya (2005) the Kenyan government has initiated some capital investment towards setup and installation of ICT infrastructure through partnerships with development partners. He said that the government contribution is usually in the form of technical and support staff and facilities such as buildings.

Generally the use of ICT in the government has been increasing with most ministries and departments having websites where information on activities is available. One area where there is a lot of activity is in the financial management sector where there are initiatives such as Integrated Financial Management Information System (IFMIS), the Local Authority Integrated Financial Operations Management Systems (LAIFOMS) and the Integrated Personnel and Pensions Database (IPPD) to standardize the processes and provide up to date record keeping. The IFMIS is designed to improve systems for financial data recording, tracking and information management (Office of the Deputy Prime Minister and Ministry of Finance, 2011). This is in response to increasing demands for greater transparency and accountability in the management of public finances.

The IFMIS system ensures higher degree of data quality improves workforce performance for improved business results and links planning, policy objectives and budget allocations. The plan noted that the system also enhances the reporting capabilities to support budget planning, it automates the procurement process, it facilitates auto-reconciliation of revenue and payment with automatic file generation, it facilitates automated revenue collections for improved cash forecasting and it provides accurate and up to date information on the Government's financial position. Rodin-Brown (2008) summarized IFMIS as an information system that tracks financial events and summarizes financial information. He noted that in the government realm, IFMIS includes the computerization of public financial management (PFM) processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for financial management of line ministries, spending agencies and other public sector operations. Sound systems, strong legal and regulatory frameworks as well as a competent and productive civil service are the cornerstones of an efficient PFM regime.

Statement of the Problem

There is a broad agreement that a fully functioning IFMIS can improve accountability by providing real-time financial information that managers can use to administer programs effectively, formulate budgets, and manage resources. Diamond and Khemani (2005) noted that the Ministry of Finance is charged with the responsibility of providing proper budgetary and expenditure management of government financial resources. In this regard, the ministry has been continually striving to improve financial management systems through various public financial sector reform programmes, aimed at increasing transparency, accountability, as well as responsiveness of public financial resources to enhance the quantity and quality of public service delivery to meet its developing priorities. The GoK has for a long time been much concerned over the persistent poor performance in financial management due to lack of reliable and timely information for decision making.

Diamond and Khemani (2005) noted that in most developing countries, budget execution and accounting processes were or are either manual or supported by very old and inadequately maintained software applications. They said that this has had detrimental effects on the functioning of their public expenditure management (PEM) systems and that the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management resulting in a poorly controlled commitment of government resources, often leading to a large build up of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment; and misallocation of resources thus undermining the effectiveness and efficiency of service delivery. Further, they said governments have found it difficult to provide an accurate, complete, and transparent account of their financial position and this lack of information has hindered transparency and the enforcement of accountability in government. In light of these adverse developments, this research sought to assess the influence of IFMIS on financial management in County Government of Nakuru, Kenya.

Research Objective

The study broad objective was to assess the influence of integrated financial management information system on financial management in county government of Nakuru. Specifically the study was guided by the following objective: To examine how financial reporting under IFMIS influences financial management in county government of Nakuru.

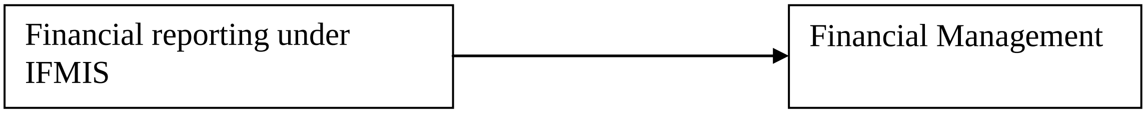
Research Hypothesis

H_{01}:Financial Reporting under IFMIS does not significantly influence financial management in the county government of Nakuru

Conceptual framework

The conceptual framework for the study had both the independent and the dependent variable. the study conceptualized that financial management in the county government of Nakuru is dependent on financial reporting under IFMIS. The framework was as illustrated below.

Figure 1: Conceptual Framework



LITERATURE REVIEW

Theoretical review

This study was based on Meta theory model. According to Ruchala and Mauldin (1999), research on accounting information systems has been sourced from various disciplines, basically computer science, cognitive psychology and organizational theory. In this regard, it has been asserted that previous applications of information technology in accounting systems were mainly processes of transactions that would reciprocate the manual processes. This has led to the need of incorporating various accounting sub disciplines into more research on accounting information systems.

With increased focus on the design of these systems, practicing professionals will add more value to the field and thus redefine the scope of accounting information system. The changing nature of the information systems has brought about the need for an organized way of doing things. Meta theory is the integration and the synthesis of technical orientations, cognitive as well as the overarching model into the research on AIS. The Meta theory has helped in addressing the IT limitations that are imminent and addressed in previous researches such as the failure to recognize the task to which IT is being applied, the failure to recognize the adaptive nature of the artificial phenomena, the failure to account for the design science in the actual field research and the failure to direct the act of making or choosing the necessary decisions and treating all the transactions in an equal manner (Gorry & Scott-Morton, 1971).

According to Reneau and Grabski (1987) information systems in accounting are used by accountants and other key decision makers that employ the accounting information or make use of the accounting data. The Meta theory model is built on past frameworks on the management information systems. Technology is very pervasive and an essential component in accounting tasks and changes work processes very efficiently. This is well recognized in the accounting theory. There are many research methods that are being employed to look into the problems inherent in Accounting information systems and accounting problems. This is evident in managerial accounting where field work, experimental work and analytical works address the relationships that exist between management information systems and accounting.

The Meta theory model starts with a task focus and also suggests a process that matches between task and the alternatives for system design and various levels of analysis. It also suggests contingency factors, organizational factors and technological factors that have an influence on the aspect of task performance. In this study, the theory will help in understanding the role of integrated financial management information system in enhancing the performance of financial management function.

Empirical Review

Governments in developing countries are increasingly exploring methods and systems to modernize and improve public financial management. For example, over the years, there has been an introduction of the Integrated Financial Management Information System (IFMIS) as one of the most common financial management reform practices, aimed at the promotion of efficiency, effectiveness, accountability, transparency, security of data management and comprehensive financial reporting. The scope and functionality of IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Chene 2009).

In a research conducted by Mobegi (2009), he found out that 61% of the ministry staff believed that implementation of IFMIS was way behind schedule while 33% believed that it was on course. 3% believed that IFMIS was successful while 11% believed that it was not successful. 52% believed that transparency had been achieved while 62% believed that IFMIS had improved economic governance. 47% believed that it had reduced corruption while 78% believed that IFMIS provided sufficient information for decision making.

According to a 2006 paper by two IMF experts, the IFMIS in Tanzania is the most successful to date in an Anglophone African country (Diamond & Khemani, 2005). Success was achieved through several approaches. A review of public expenditure management was conducted and identified processes that affected budget execution. Expenditure control and the chart of accounts were also improved. The government then crafted enabling legislation, accounting principles, systems, and organizational arrangements. The program obtained solid political backing, which trickled down to management level, and ensured adequate resources from donors. The reform was embedded in the Ministry of Finance, where capacity-building was emphasized.

The IFMIS in Ethiopia has been part of a larger transformation of its PFMto international standards, because the change aligned with the four known drivers of public sector reform: context, ownership, purpose, and strategy (Peterson, 2011). Peterson (2011) argues that PFM reform in Ethiopia succeeded because it built a stable and sustainable ‘plateau’ that is appropriate to local context, instead of aiming for a risky and irrelevant ‘summit’ of international best practice. To support of rapid government decentralization, the reform successfully adopted a strategy of ‘recognize, improve, sustain’.

Since the launch of IFMIS in Kenya, most of the government agencies have had to adapt to the system. The success of it can only be achieved through efficient financial management. Thus this section will provide a review of empirical studies on the influence of IFMIS through financial reporting on financial management in governments.

Financial Reporting

Comprehensive accounting and monetary management are grounded on principles which include: accountability, flexibility, legitimacy, contestability, transparency, and predictability. To realize these principles, effective accounting and financial systems are amongst the fundamentals that strengthen the ability to allot and use assets efficiently and effectively(Edelberg, 2006).The government must specify reporting requirements and objectives in two areas; external reporting to provide information for the legislature and the public as well as other countries, international organizations, overseas investors and financial market and internal management reporting for government policy makers and managers. In general the broad requirements for external reporting are specified in the budget regulations and detailed requirements are given in regulations, instructions and administrative practices actually in use in Kenya and other developing countries (Mark 2007).

According to Cho (2003), financial accounting, whether in private or government, there are basically two accounting methods; cash and accrual. Most developing countries like Kenya record their finances in a cash basis. However, best practice suggests that the accrual while relatively complex is a better method for accessing the government's true financial position and performance against budgets and plans. Fortunately, using a well designed COA and sometimes some tailored interfaces, an IFMIS can be configured to generate reports using either method, literally at the click of a button. Furthermore, the COA can be compromised by the frequent changes in leadership and priorities which form the characteristics of most governments.

There is constant pressure to restructure or re-shuffle administrative units or shift responsibilities for programs each time there is an election or a minister replaced. The COA is designed to permit a complete reconciliation between opening balance transactions and the economic flows and closing balance. Such a reconciliation is not possible in a cash basis system rather accrual system because the recording of stocks and flows (particularly valuations) in systems that rely only on cash information is inherently incomplete. While many inherently incomplete systems will remain predominately cash basis for some time to come, an important elements of treasury system design in that it should include scope for progressive improvement in the accounting information available to decision makers (Casals, 2004).

Mark (2007) further noted that from the point of view of resource allocation, increasing emphasis has been given in recent years to improve reporting standards by linking financial and performance information and giving a clearer perspective on resource use by using accrual-based reports in addition to the usual cash-based government accounts. Development of such report formats is in general accruing mainly in industrialized market economies. Technological business requires highly skilled staff to ensure operations move smoothly and breakdowns handled with a record recovery period (Ferdinand, 2006).

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

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

In Kenya there has been remarkable improvement in public access to fiscal information since the inception of IFMIS by the treasury. The public, NGOs, and other interested parties' at least have had access to some key data unlike in the past. For instance the current drive for e-procurement for public works and services is a major window of public access to vital data which is indeed a key milestone in the fight against corruption in Kenya's public sector (Economic Review, 2013).

Financial Management

Government is responsible for the operation of cross-cutting public financial management and administrative systems. Madue (2007) contends that, historically, public financial management systems frameworks have been designed for the facilitating of maximum control over public resources. Similarly, Levy(2007) maintains that quality management of public resources is pivotal for any country's development. Pretorius and Pretorius (2009) argued that sound PFM systems must support the control of public resources, prioritisation, accountability and efficiency in the delivery of services. Furthermore, the authors echoed there view of public sector management in Organisation for Economic Co-operation and Development (OECD) countries and some developing countries.

The review process led to the development of the New Public Management (NPM) model. This was done to strengthen managerial accountability (Pretorius and Pretorius 2009). Deutshes Institut fur Entwicklungspolitic (2011) posits that financial reforms such as IFMIS are measures for improving good governance and fiscal prudence. According to Rosen (2002), the world of financial management, and for a country to be developed, it must be built on an effective economy.

Public financial management concerns the taxing and spending of government, which in turn influences resource allocation and income distribution. The spending portion covers the budget cycle, including budget preparation, internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements. In the public institutions, financial management is one of the fields which must be developed in order to build the country's economy and fighting the waste of resources. Public finances to be well managed, there must have a well-designed financial management systems in order to achieve their objectives.

Developed economies are convinced that the information society will result in economic and social benefits (Audenhove, 2008). Information infrastructures are expected to stimulate economic growth, increase productivity, create jobs and improve the quality of life. The establishment of an IFMIS has become an important benchmark for the country's budget reform agenda often regarded as a precondition for achieving effective management of budgetary resources (Diamond et al, 2005).

Kaindi (2012) in her study found out that IFMIS influences the impact of internal control systems on the financial performance. Her study however fails to outline the specific benefits of adopting IFMIS particularly on public financial management systems and how the respective benefits enhance the financial performance of state agencies. IFMIS can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. The purpose of using IFMIS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making (Chene 2009). A more standardized and realistic budget formulation process is allowed for and improved control over budget execution is affected through the full integration of budget execution data.

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

However, there are challenges that came with the implementation and use of the system. Lack of top management support, training and hurried implementation were some of the challenges faced in the implementation and use of the IFMIS in Government ministries (Kimwele, 2011).Benefiting from the advances in technology, new FMIS projects are designed with better focus on the quality and security of information to minimize the risk of corruption and improve the reliability of systems (Watkins & Dorotinsky, 2011). It means that there are levels of access rights to sensitive information which offers people responsible to manage and account for.

Sensitivity is often thought of being that quality that makes it necessary to protect data from being seen by those who do not have a need to see it and it is also based on how prone system data is to risks to its integrity and to its availability (Howard, 2004). Transporting and issuing cash payments also bring significant risks including lack of control, potential for fraud, error and theft. Cheques also bring considerable challenges as they are costly and time-consuming to produce, the value date is unpredictable, and auditability is low (Sabatini, 2012). Therefore, by automating procedures and internal controls, it strengthens financial controls and promotes accountability (Diamond and Khemani, 2005).

Research Methodology

The research methodology provides a detailed discussion of the research design, location of the study, population, and data collection procedure and data analysis. Although there are numerous research designs; the study employed a descriptive research design. This is because the design is well structured with clearly stated research questions. The study utilized quantitative approaches in the collection of data. According to Kothari (2009), the approach enables data to be systematically collected and analyzed in order to provide a descriptive account of the questions under study. For the purpose of study, the population comprised all the accountants and finance related employees thereby making the population of 104 employees of the ministries in County government of Nakuru.

Sample and Sampling Technique

Sampling may be defined as the selection of some part of an aggregate or totality on the basis of which a judgment or inference about aggregate or totality is made (Kothari, 2006).The researcher therefore used stratified sampling techniques in selecting interviewees. Simple random sampling was used to select employees through getting lists of employees in each department and choosing them randomly. A total of 51 respondents was used as the sample size.

Yamane (1992) provided a simplified formula which was employed to calculate the sample size as outlined below;

$$n = \frac{N}{1+Ne^2}$$

Where : n, N, and e represent the sample size, the population, and the significance level of 10% respectively. The formula was used to calculate the sample as shown below

$$n = \frac{104}{1+(104 \times 0.1^2)}$$

n=50.98

n=51 respondents

Data

The questionnaires collected from the respondents were ascertained to ensure that only the sufficiently and appropriately filled ones were considered for the study. This was in order to eliminate incomplete data and minimize outliers in the eventual findings. Data collected from the questionnaire was analyzed, summarized, and interpreted accordingly with the aid of descriptive as well as inferential statistical. Qualitative as well as quantitative methods were used in the analysis of the primary data collected. SPSS 24.0 was used for analysis. The findings were presented in the form of tables. Pearson correlation coefficient was used to test the hypothesis.

ANALYSIS AND FINDINGS

The researcher distributed 51 questionnaires to the respondents in line with the study sample size. Thirty eight questionnaires were properly filled and returned representing a response rate of 74.51% which was characterized as very good according to Babbie, (1990). Essentially the response rate that every researcher would pursue would be 100%. In reality however this is not possible due to sampling measurement and coverage errors. A response rate below 51% is considered inadequate in social sciences (Pinsonneault & Kraemer, 1993).

Financial Reporting Under IFMIS

The researcher established respondent's perception concerning financial reporting in the county government through the use of IFMIS system. The findings from the analysis were as in table 1.

Table 1 :Financial reporting under IFMIS

	N	Min	Max	Mean	Std. Dev
1. I access IFMIS to derive specific information I require to undertake my task	38	1	5	4.34	.878
2. IFMIS system enables reporting of both cash and accruals simultaneously	38	1	5	4.16	.973
3. I easily extract and present reports from IFMIS in ways that facilitate analysis	38	1	5	4.21	.991
4. IFMIS enables me to reconcile transactions real time	38	1	5	4.24	.998
5. IFMIS accurately shows financial status of the county government	38	1	5	4.08	.941
6. IFMIS enhances progressive improvement in information available to decision makers	38	1	5	4.24	.852
7. IFMIS increases public access to the county's fiscal information	38	1	5	3.68	1.210
Valid N (listwise)	38				

The findings established that the respondents were in agreement with all the aspects of financial reporting under IFMIS. All the aspects registered means of approximately 4 indicating agreement with those aspects. They agreed that they were able to access IFMIS to derive specific information they require to undertake their tasks, that the system enables reporting of both cash and accruals simultaneously and that they easily extract and present reports from IFMIS in ways that facilitate analysis. Additionally, respondents were in agreement that IFMIS enables them to reconcile transactions real time, that it accurately shows financial status of the county government and that it enhances progressive improvement in information available to decision makers. Further they agreed that IFMIS increases public access to the county's fiscal information. Greater cohesion was observed on the responses as most of them registered standard deviations less than one apart from one aspect. This demonstrated that respondents did not express very diverse views in regard to aspects of financial reporting.

Financial Management

Finally the researcher established the perceptions of respondents in regard to financial management in the county government. The means and standard deviations of their responses were determined and results presented as in table 2.

Table 2: Perceptions on Financial management

		N	Min	Max	Mean	Std. Dev
1.	The county is efficient in monetary allocation towards service delivery to the public	38	1	5	3.58	1.154
2.	The county's revenue have been rising steadily	38	1	5	3.68	1.254
3.	IFMIS have increased fiscal prudence in the county	38	1	5	3.58	1.222
4.	Due to effective financial management, the county government has managed to create many job opportunities	38	1	5	3.34	1.341
5.	The county is able to pay its contractors in time as well as meet all its financial obligation	38	1	5	3.53	1.350
6.	The cost of doing business in the county government has greatly reduced to enhanced efficiency	38	1	5	3.34	1.300
7.	The county has achieved great success in implementation of its development projects due to efficient financial management	38	1	5	3.39	1.306
Valid N (listwise)		38				

The table indicated that the respondents were in agreement with four of the seven aspects of financial management with means averaging approximately 4 (Agree). They agreed that the county is efficient in monetary allocation towards service delivery to the public, that the county's revenues have been increasing steadily, that IFMIS have increased fiscal prudence in the county and that the county is able to pay its contractors in time as well as meet all its financial obligations. However, respondents remained indifferent in 3 of financial management aspects with their means averaging at 3 (Undecided). They were indifferent on whether due to effective financial management, the county government has managed to create many job opportunities, whether the cost of doing business in the county government has greatly reduced due to enhanced efficiency and whether the county has achieved great success in implementation of its development projects due to efficient financial management. The researcher also noted that the respondents expressed diverse view in their responses in all aspects of financial management in the county assembly. All the aspects registered standard deviations greater than one. This indicated that the respondents did not show high level of agreement in their views towards county governments financial management aspects.

Financial Reporting under IFMIS and Financial Management

The researcher sought to establish the relationship between financial reporting and financial management in the county government. A composite score of means was computed for all the aspects of financial reporting as well as those aspects of financial management. Pearson product moment correlation coefficient was employed to establish the relationship. The findings from the analysis are as shown in table 3.

Table 3: Financial Reporting and Financial Management

		Financial reporting
Financial management	Pearson Correlation	.653**
	Sig. (2-tailed)	.000
	N	38

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

The table indicated that there was a strong positive significant relationship ($r = .653$, $p < .01$) between financial reporting and financial management. Thus, the researcher observed that financial reporting under IFMIS influences the financial management in the county government. The findings implied that enhancing financial reported leads to improved financial performance. According to Chene (2009), increased availability of comprehensive financial information on current and past performance assists budgetary control and improves economic forecasting, planning and budgeting. Therefore the null hypothesis $\mathbf{H_{01}}$ was rejected and the researcher made a conclusion that financial reporting was significant in determining the efficiency of financial management.

Summary of Findings

Descriptive statistics indicated that respondents were in agreement with all the aspects of financial reporting under IFMIS. They agreed that they were able to access IFMIS to derive specific information they require to undertake their tasks, that the system enables reporting of both cash and accruals simultaneously and that they easily extract and present reports from IFMIS in ways that facilitate analysis. Additionally, respondents were in agreement that IFMIS enables them to reconcile transactions real time, that it accurately shows financial status of the county government and that it enhances progressive improvement in information available to decision makers.

The findings are in tandem with assertions by Mark (2007) that from the point of view of resource allocation, increasing emphasis has been given in recent years to improve reporting standards by linking financial and performance information and giving a clearer perspective on resource use by using accrual-based reports in addition to the usual cash-based government accounts. Further they agreed that IFMIS increases public access to the county's fiscal information. Chene (2009) noted that increased availability of comprehensive financial information on current and past performance assists budgetary control and improves economic forecasting, planning and budgeting.

Additionally, Descriptive statistics indicated that respondents agreed that the county is efficient in monetary allocation towards service delivery to the public, that the county's revenues have been increasing steadily, that IFMIS have increased fiscal prudence in the county and that the county is able to pay its contractors in time as well as meet all its financial obligations. Respondents were however undecided as to whether due to effective financial management, the county government has managed to create many job opportunities, whether the cost of doing business in the county government has greatly reduced due to enhanced efficiency and whether the county has achieved great success in implementation of its development projects due to efficient financial management. Respondents were seen to have divergent views in regard to the financial management in the county government. Multiple regression analysis indicated a very strong positive relationship between financial management and the four explanatory variables (financial reporting, transaction processing, budgeting and decision support). Analysis of variance indicated that all the explanatory variables taken together significantly influenced financial management of the county government. However analysis of the regression coefficients showed that only budgeting was significant in accounting for variation in the financial management in the county government.

Correlation analysis indicated that financial reporting have a strong positive significant relationship with the financial management in the county government of Nakuru. This implied that improved financial reporting is a key contributor of effective financial management. As such enhancement of financial reporting goes a long way in enhancing financial management in the county government of Nakuru.

CONCLUSIONS

The researcher concluded that the importance of financial reporting on financial management cannot be under estimated. Respondents acknowledged the contribution financial reporting have on financial management. Generally, increased availability of comprehensive financial information on current and past performance assists budgetary control and improves economic forecasting, planning, and budgeting (Chene, 2009). The internal controls regulate the cycle of recording, analyzing, classifying, summarizing, communicating, and interpreting financial information (Diamond & Khemani, 2005).The researcher recommended that the county government should embark on the process of enhancing their usage of IFMIS to improve on financial reporting. This will go a long way in enhancing the financial management and improve the financial prudence in the running of the county government activities.

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