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Accounting Information Systems and Financial Accountability in Bushenyi District Local Government in Western Uganda

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Abstract

This study was about Accounting Information System and Financial Accountability in Bushenyi District Local Government. Using descriptive, correlational survey and cross sectional designs, a researcher generated questionnaire and an interview guide to collect data. Data was analyzed using frequencies, percentages, means, standard deviation, Pearson's linear correlation coefficient and regression analysis. Results reveal that more than 68% of Bushenyi District local government staff was male; majority of the staff were between 31-40 years with working experience of 3-4 years. The application of accounting information system in Bushenyi District local government was high: Accounting information recording (average mean = 3.09); financial reporting (average mean= 3.11); software usage (average mean= 2.78. The level of financial accountability in Bushenyi District local government was low (overall mean= 1.90). It was concluded that the applications of accounting information system is high but the levels of financial accountability are still very low meaning that there is significant relationship between accounting information system and financial accountability in Bushenyi District Local Government. The researcher recommends that there is need to promote the use computers by all workers at the District by training them to solve the problems of low levels of financial accountability.

Keywords: Accounting Information Recording, Financial Reporting, Software Usage and Financial Accountability

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1.1 Introduction

Financial Accountability refers to a condition under which a role holder renders account to another so that judgment may be made about the adequacy of performance and describes accountability as the implicit and explicit expectations that anyone may be called upon to justify one's belief, feelings and actions to others (Mulgan, 2000). Furthermore, financial accountability is the balance budgets to comply with accounting and lawful requirements, preparing precise and up-to-date financial statements, and putting into practice systems of internal controls to shrink risk of theft or fraud Magu (2016). Financial accountability in public sector is important because it improves efficiency and transparency towards service delivery and value for money opined (Manyange et.al., 2020).

Interest in financial accountability is wide spread and long standing where by the rapid expansion and uncontrolled growth of cities and urban authorities have created previously unimaginable problems in the level of financial accountability to the varsity stakeholders with differing interests and background (Rondinelli, 1983). Many countries and local governments (LGs) world over have been finding difficulty in providing solutions to the problem of low levels of financial accountability. The issue of financial accountability is parable in most African Countries. For instance, corruption in public sector is widespread and hardly a day goes by without it being mentioned in the press (Atuilik & Salia, 2019). Additional financial scandals in the Continent comprise an abnormal payment of about \$2.4 million to principal officials of the Nigerian Federal Inland Revenue Service in years 2001 and 2002 by Halliburton, a United States' oil company, to get favorable tax treatment. Besides, four associates of Halliburton's company gave a bribe of \$180 million to win a very profitable contract to build a large liquefied natural gas plant in Bonny, Rivers State.

Besides the Accounting Information Systems in place, they do not help the country to spend resources within the budget frame work and ascertain value for money (Agrawal and Ribbot, 1999). In Uganda the case is still the same for instance, the Auditor General's report in Kalangala District reveals excess expenditure totaling to UGX. 409,888,867. This was contrary to the local government financial and accounting regulations 2007, for lack of authority, non-accountability of funds and excess expenditure on council, committees, Boards and commissions (Auditor General's report, 2011/12).

In Bushenyi, during the financial year 2009/10 the Office of the Auditor General conducted a Value for Money Audition focusing on procurement of goods and services during 2015/2016, 2016/2017 and 2018/2019, which reveals numerous accountability problems related to financial accountability, timely reporting and recruitment. The report noted that poor accountability in the form of unaccounted for funds, diversion of funds, failure to follow the procurement procedures among others remains at impediment to development and barrier to

poverty reduction in Uganda at national and local government levels. It is against this background, this study about the relationship between accounting information systems and financial accountability in Bushenyi district local government was conducted. Accounting information systems being the independent variable was operationalized as Accounting information recording, financial reporting, software usage and Financial accountability (FA) being the dependent variable

1.2 Statement of the Problem

Financial accountability in all sectors is vital if it is to realize the projected objectives in, accounting information recording, financial reporting and Software Usage. In Bushenyi District Local Government, Financial Accountability has remained low as revealed in the Auditor General's Report for the financial year ended 30th June 2014 which include Payment for uncompleted works where a sum of shs.44, 631,494 was paid in respect of construction of water-borne toilets at district stadium; vide EFT No 1004285 on LGMSD account. There is need to ensure that works are supervised and monitored and only completed works are paid for; Another instance of un-recovered URA Tax Arrears where the district had a URA tax liability (tax arrears) totaling Shs.72, 639,684 at the beginning of the financial year which arose from un-taxed allowances for councilors who were from counties that were curved out of the greater Bushenyi that formed new districts (Auditor General Report, 2016).

If the problem of financial accountability is not worked on, the District is likely to lose its revenue through unclear circumstances resulting into mismanagement of public resources leading to poor financial accountability. Proper implementation of Accounting Information System will help Bushenyi Local Government to improve on its operations in financial management by ensuring timely accountability, reporting and proper documentation by accounting Officers to ensure efficient financial accountability.

Besides, majority of related studies did not exactly look at accounting information system and financial accountability in local governments, thus the researcher being prompted to identify this gap so as to establish the extent of application of accounting Information system on financial accountability in Local governments taking Bushenyi as a case study in a bid to improve on its financial accountability.

1.3 Purpose of the Study

The purpose of this study was to assess the relationship between accounting information System and Financial Accountability in Bushenyi District Local Government in Western Uganda.

1.4 Specific Objectives

- i) To find out the relationship between accounting information recording and financial Accountability in Bushenyi District Local Government.
- ii) To determine the relationship between financial reporting and financial accountability in Bushenyi District Local Government.
- iii) To establish the relationship between software usage and financial accountability in Bushenyi District Local Government.

2. LITERATURE REVIEW

2.1 Accounting Information Recording and Financial Accountability

The accounting transactions of an organization need to be recorded in the accounting books. Some form of recording will be essential to all organization for the day-to-day management of their operations and the fulfillment of unavoidable governmental obligations. It is well known that inadequate record keeping is frequently associated with failures in organizations even if it is not actually the direct cause of failure of proper financial accountability. For record keeping purposes the local government can use different financial records which include journals, cash books, vote books, abstracts, general ledger and subsidiary ledgers and registers for example Assets, Contracts, revenue among others. (Chenhall, 2003).

In organizations there can be different kinds of accounting systems such as external and internal accounting. Internal accounting, also called management accounting is based on the organization's internal accounting procedures and recorded accounting information. Internal accounting is intended for managers within organizations, to provide them with the economic basis to make informed organizational decisions that would allow them to be better equipped in their management and control functions. For example, managers may want to be able to assess the contribution of different products or services that they supply by comparing the revenues and costs that they generate. Unlike external accounting information, internal accounting is usually confidential and it is accessible only to the management. In most cases, small enterprises do not use internal accounting at all due to their size. Internal accounting is normally not governed by national legislation. However, in some Member States internal accounting is compulsory even for small enterprises stated (Tom, 1976).

2.2 Financial Reporting and Financial Accountability

Financial Reporting can be defined as the process of presenting financial data about a company's financial position, the company's operating performance, and its flow of funds. Issues bothering on financial reporting are quite complex and cumbersome. According to Grindle (2016) the function of financial reporting is to make publicly available information which concerns stewardship (for example, what resources are under control of the organization and the consequence of their past use) and management's planning (for example, what are the future plans for the controlled resources, and how prior mistakes would be avoided. Manyange et.al. (2020) further stated that financial reporting helps County government to setup realistic reassurance regarding the attainment of organization's objectives.

2.3 Software Usage and Financial Accountability

According to El Daher (2000), AIS consist of an interrelated set of sub-systems that plan, process and report upon resources, quantifying them in financial terms. The primary benefit of installing AIS is improved quality of decision making involving the use of limited financial resources. The financial consequences become much more apparent. Financial information becomes more timely, reliable and relevant because it is entered when the transaction takes place and is easily available for various users. When integrated with budget estimate, the accounting data is used to track progress on projects.

According to Spahn (1999), timely and accurate financial information improves confidence of major creditors of government in its ability to pay bills on timely basis. Creditors charge premiums for risk thus lack of reliable financial information increases the risk factors adding to the cost of borrowing. However, when reliable financial information is available, creditor confidence rises even in difficult financial times. Although IFMS may not particularly assure good fiscal and economic policy, it can provide financial information required to formulate these policies.

If attention is paid to concepts like value for money and accountability, then an improvement of financial management systems in local governments is required. Initiatives have to be undertaken to improve financial management in general and productivity and effectiveness in particular as regards financial performance (Spahn, 1999).

It is important to note at this level that the current level of government services in developing countries like Uganda will only be affordable in future if effectiveness and efficiency of LGs is continuously improved. This can be done through sound financial management (United Nations, 1999).

3. Research Methodology

The study employed descriptive correlational and cross-sectional survey design with the population of 126 respondents. Amin (2005) asserted that cross sectional design is useful in getting information from participants of different categories at once, thus reducing time and money. Using Krejcie and Morgan 1970; a sample size of 119 was obtained. Data were collected using self-administered questionnaires, measured using a four point Likert scale ranging and the response modes were (1) Strongly Disagree (2) Disagree (3) Agree, (4) Strongly Agree. The interpretation of the data analyzed were as follows

Mean range	Response Mode	Interpretation
3.26-4.00	Strongly Agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly Disagree	Very Low

Source: Primary Data (2019)

The study also adopted the in depth interview method and documentary review method to collect qualitative data. The content validity of 0.8 was regarded acceptable since the minimum threshold is 0.7. This means that the instrument was valid for collection of data for the study. Reliability of the instrument was tested using the Cronbach's alpha coefficient method using the statistical package for social scientists program (SPSS) and the result got were 0.809 which was above 0.7 indicating that the instrument was highly reliable in eliciting the data required for the study.

4. Results and Interpretation

Table 1: Descriptive statistics on the application of accounting information systems in Bushenyi Local government

Indicators of application of AIS	Mean	Std. Dev.	Interpretation	Rank
Accounting information recording				
There is adequate use of computers in supervision of financial entries	3.12	.703	High	1
There is adequate use of computers in posting transactions to different accounts	3.10	.775	High	2
There is adequate use of computers in recording transaction in books of original entry (ledger, cash books, journals)	3.08	.738	High	3
The use of computers has helped in accurate recording of transactions	3.06	.693	High	4
Average Mean	3.09	0.72	High	
Financial Reporting				
There is adequate use of computers in preparing budgets	3.15	.755	High	1
The use of computers has helped to provide accurate financial reports.	3.13	.708	High	2
There is adequate use of computers in preparing annual balance sheets and the income statements	3.11	.722	High	3
There is adequate use of computers to forecast operations.	3.10	.764	High	4
There is adequate use of computers in preparation of trial balance	3.09	.736	High	5
The use of computers has helped to provide financial statements that are timely and useful to users.	3.07	.722	High	6
Average Mean	3.11	0.73	High	
Software Usage				
Arithmetic errors in financial reports have greatly reduced due to software usage	3.09	.653	High	1
This organization does not use its own customized accounting software	3.06	.656	High	2
There is adequate use of accounting software in preparing financial reports (Oracle)	3.01	.775	High	3
There are many skilled staff using accounting softwares	1.98	.719	Low	4
Average mean	2.78	0.71	High	
Overall mean	2.99	0.71	High	

Source: Primary data (2019)

Table 1 reveals the extent of application of accounting information system in Bushenyi district local government at different levels. The findings portray element or construct of three dimensions of accounting information recording, financial reporting and software usage. The first element or construct of accounting information system was accounting information recording. This construct contained 4 items. All the items were high but the item which was asking if there is adequate use of computers in supervision of financial entries contributed the highest mean (3.12) which is equivalent to high level. The average mean of this construct-accounting information recording is (3.09) which is which is corresponding high level. This implies Bushenyi District local government implements satisfactory accounting information recording.

The second element of accounting information system was financial reporting. This construct consisted of six items. Still all the items were high but the adequate use of computers in preparing budgets contributed the highest mean (3.15) which equals to high level. The mean average of this construct, financial reporting was (3.11) which is matching to a high level of financial reporting. This suggests that Bushenyi District local government implements a high level of financial reporting.

The last element of accounting information system was software usage. This construct consisted of four items. Still all the items were high but the item on Arithmetic errors in financial reports have greatly reduced due to software usage contributed the highest mean (3.09) which equals to high level. The item concerning number of skilled staff using accounting softwares contributed the lowest mean (1.98) which is equivalent to low level. The mean average of this construct, software usage was (2.78) which is matching to a high level of software usage. This suggests that Bushenyi District local government implements a high level of software usage.

All these three constructs of accounting information system, i.e. accounting information recording, financial reporting and software usage contributed mean scores of (3.09, 3.11, and 2.78 respectively) and all these three items were in high levels which is equivalent to agree on the Likert scale. Results showed that the overall mean of accounting information system is (2.99); which implies the application of accounting information system by Bushenyi district local government is high. The interpretation here is that the application of accounting information system is high in Bushenyi district local government.

Table 2: Descriptive statistics on the level of financial accountability

Measures of financial accountability	Mean	Std. Dev	Interpretation	Rank
District finance and accounting officers recover tax Arrears of the district.	1.95	.782	Low	
District finance and accounting officers Pay for only completed works.	1.92	.725	Low	
District finance and accounting officers do not account for funds in line with the accounting regulation.	1.90	.808	Low	
District finance and accounting officers divert funds.	1.89	.706	Low	
District finance and accounting officers do not follow the procurement procedures	1.88	.713	Low	
Average Mean	1.90	0.74	Low	

Source: Primary data (2019)

Table 2 unveils the level of financial accountability in Bushenyi district local government at different levels. The findings expose that the overall mean score of financial accountability is (1.90) Which is corresponding to low Level and which is also equivalent to disagree on the Likert scale; and all the items are in low levels. The interpretation is that the levels of financial accountability in Bushenyi district local government is very low which needs to be looked at to solve all the above problems that are affecting the levels of financial accountability.

Table 3: Pearson's correlations between accounting information recording and financial accountability

Variables correlated	r-value	Sig.	Interpretation	Decision on Ho
Accounting information recording Vs Financial accountability	-.059	.526	No significant correlation	Accepted

Source: Primary data (2019)

The results in Table 3 are computed for the sake of testing the null hypothesis on the correlation between accounting information recording and financial accountability. Since the sig. is above 0.05, the null hypothesis is accepted and a conclusion is made that there is no significant relationship between accounting information recording and financial accountability. This means that accounting information recording is high at the district but financial accountability is still very low.

Table 4: Pearson's correlations between financial reporting and financial accountability

Variables correlated	r-value	Sig.	Interpretation	Decision on Ho
Financial Reporting Vs Financial accountability	.215	.019	Significant correlation	Rejected

Based on the results in Table 4 above, the correlation between financial reporting and financial accountability is positive and significant. Since the sig. (0.019) is less than 0.05, the null hypothesis is rejected and a conclusion is made that there is a significant relationship between financial reporting and financial accountability. This means that an increase in financial reporting will improve financial accountability.

To test this null hypothesis, the researcher correlated the mean scores in Table 1 with those in Table 2 using Pearson's Linear Correlation Coefficient (PLCC/ r). Results of this test are indicated in table 5

Table 5: Pearson's correlations for software usage and financial accountability

Variables correlated	R-value	Sig.	Interpretation	Decision on Ho
Software usage Vs Financial accountability	.015	.861	No significant correlation	Accepted

The results in Table 5 are computed for the sake of testing the null hypothesis on the correlation between software usage and financial accountability. Since the sig. (0.861) is above 0.05, the null hypothesis is accepted and a conclusion is made that there is no significant relationship between software usage and financial accountability.

Data from interviews about type of accounting system being used at the District and whether it is of any relevance in the level of financial accountability at the District, most respondents agreed on the type of accounting system used which is Integrated Financial Management system. But concerning its applicability, some respondents differed from it that its relevancy is still low although some agreed that the system is of relevancy to financial accountability at the District

This means that Bushenyi District Local government should make sure that the accounting system in place should be used to improve on the levels of financial accountability at the district.

Table 6: Regression analysis results for accounting information system and financial accountability.

Variables regressed	Adjusted R ²	F	Sig	Interpretation	Decision on H ₀
AIS Vs FA	.036	2.472	.065	No significant effect	Accepted
Coefficients	Beta	T	Sig.	Interpretation	
(Constant)	1.220	2.946	.004	Significant effect	Rejected
AIR	-.073	-.995	.322	No significant effect	Accepted
Financial reporting	.216	2.442	.016	Significant effect	Rejected
Software	.094	.985	.326	No significant effect	Accepted

As shown in Table 6, the three independent variables taken together (accounting information recording, financial reporting and software usage) have no significant effect on the dependent variable (financial accountability). Because the sig value (0.065) is above 0.05 which is the maximum sig. value required to reject a null hypothesis. The independent variable construct which has the strongest and significant effect on the dependent variable (financial accountability) is financial reporting (Beta = 0.216, sig. = 0.016). The Beta value of 0.216 shows that if financial reporting increases by one unit, the dependent variable (financial accountability) will increase by 0.216.

The adjusted R² (0.036) shows that all the three independent variables taken together, contribute only 3.6% towards variations (changes) in the dependent variable (financial accountability). The constant of 1.220 implies that if all the independent variables are zero, the dependent variable equals to 1.220.

5. Discussion

Findings indicated that there was no significant relationship between accounting information recording and financial accountability as shown by the level of significance .526 which was above 0.05, and therefore the null hypothesis was accepted. This is in agreement with the Auditor General's report of 2012 which stresses that, despite the growing interest and importance of financial accountability in many Local Governments in Uganda, the implementation of proper accounting information recording in Local government has remained low which included Payment for uncompleted works where a sum of shs.44, 631,494 was paid in respect of construction of water-borne toilets at district stadium; vide EFT No 1004285 on LGMSD account.

In terms of financial reporting, the findings indicated that there was a significant relationship between financial reporting and financial accountability as shown by the level of significance .019 which was below 0.05, and therefore the null hypothesis was rejected. The study was in agreement with Romney (1997), which recognized that reliability is regarded as one of the main qualities. Therefore citizens must be able to depend on the figures and facts printed on the financial statements and to make sure that they are true, verifiable and free from error.

The study still is being supported by the qualitative data from interviews about the accuracy of financial reports where most respondents agreed that the financial reports produced at the District are accurate which is agreeing with the results got from the quantitative data. This implies that reports produced at the District are accurate which will help improve the levels of financial accountability at the District.

Concerning software usage, the findings indicated that there was no significant relationship between software usage recording and financial accountability as shown by the level of significance .861 which was above 0.05, and therefore the null hypothesis was accepted. This was in disagreement with Tara (1997) who commented that several of the programs developed for LGs are useful as they move forward with their financial management modernization efforts, regardless of the strategic financial management direction ultimately selected by LG officials. However, our review indicated that the usefulness of some components of IFMS is questionable at least in some LGs which has brought down the level of financial accountability.

As Short (2003), agreed with the findings of the study and argues that consolidation of an entity as large and diverse as LG finance poses significant management challenges, including integrating redundant financial management systems and addressing existing and newly identified weaknesses in the inherited components.

Data from interviews about type of accounting system being used at the District and whether it is of any relevance in the level of financial accountability at the District, most respondents agreed on the type of accounting system used which is Integrated Financial Management system. But concerning its applicability, some respondents differed from it that its relevancy is still low although some agreed that the system is of relevancy to financial accountability at the District

This means that Bushenyi District Local government should make sure that the accounting system in place should be used to improve on the levels of financial accountability at the District.

6. Conclusions

The study concludes that Accounting Information recording, financial reporting and software usage have significant and positive relationship with financial accountability. It is therefore, important for local government officials to consider issues relating to Accounting Information recording, financial reporting and software usage very important in the management of finances of the local government.

7. Recommendation

From the findings and conclusions of this study, the researcher recommends that the officials of the local government should improve the level of accounting information systems to enhance positive effect on financial accountability by putting in place procedures and policies to guarantee that directives are properly followed in the local government

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