

The relationship between automated cash management and the quality of financial reporting in Kasese District Local Government. A cross-sectional study.

Zelina Mbindule, Muhammad Sendagi*

School of Graduate Studies and Research, Team University, Kampala-Uganda

Page | 1

Abstract

Background

Effective cash management is vital for fiscal sustainability and accurate financial reporting. This study explored the link between automated cash management practices and reporting quality.

Methods

This study employed a descriptive, correlational, cross-sectional design. Data was collected from 100 district staff, using surveys and interviews. Statistical analysis was conducted using SPSS to compute correlation coefficients.

Results

In this study 71% are male and 29% female, 48% aged 36-45, 56% with 6+ years, and 78% hold a degree. A moderate to strong positive correlation was identified between cash management and financial reporting quality ($r = 0.675$, $p < 0.01$). While the system allowed effective continuous cash flow monitoring (Mean=4.486), respondents reported severe inefficiencies, including delays in fund releases (Mean=4.644), cash shortages (Mean=4.217), unauthorized payments (Mean=4.176), and poor revenue collection (Mean=2.320).

Conclusion

While IFMS provides tools for monitoring, systemic operational failures in cash handling severely undermine the accuracy and completeness of financial reports, reflecting a disconnect between system capability and practice.

Recommendation

The district should introduce automated alerts for overspending and mandate strict adherence to cash flow forecasts and approved ceilings across all spending units.

Keywords: *Cash Management, Liquidity, Financial Reporting Quality, Fiscal Controls.*

Submitted: July 02, 2025

Accepted: September 11, 2025

Published: October 19, 2025

Corresponding Author: *Zelina Mbindule*

School of Graduate Studies and Research, Team University, Kampala-Uganda

Introduction

Effective cash management is a cornerstone of sound public financial administration, essential for maintaining liquidity, meeting obligations, and ensuring the continuity of public services. It involves analyzing revenues and expenditures, forecasting resource needs, and formulating strategies for cash mobilization and investment. In contemporary practice, this function is increasingly automated through Integrated Financial Management Systems (IFMS), which are designed to enhance efficiency and control (Njonde & Kimanzi, 2014). Despite the potential of these technological tools, a serious problem is evident in Kasese District, which suffers from significant cash shortages, unauthorized payments, and delays in the release of funds, severely disrupting service delivery and undermining fiscal stability (Eldaly, 2018; Kasese District Performance Assessment Report, 2023).

From a conceptual standpoint, cash management within an IFMS should provide a seamless and controlled process for handling public funds. The integration of automated systems is intended to ensure that payments are prepared

based on approved budgets, revenue collection is efficiently recorded, and cash flows are continuously monitored to prevent shortages and unauthorized use (Jared et al, 2017). The quality of financial reporting is inherently linked to these processes, as accurate reports must reflect the true cash position and liquidity of the government, providing a reliable basis for stakeholder decision-making (Reid, 2019). Effective cash management is therefore not merely an operational task but a prerequisite for credible financial disclosure.

Persistent operational failures in Kasese District's cash management, despite the presence of an IFMS, highlight a critical area of concern. This study specifically aims to investigate the relationship between automated cash management and the quality of financial reporting in Kasese District Local Government. The research seeks to determine how strengthening automated cash controls and monitoring can address the existing challenges of cash shortages and payment irregularities, thereby directly enhancing the accuracy, completeness, and reliability of the district's financial reports.

Methodology**Research design**

The study employed a descriptive, correlation cross-sectional survey design, along with a mixed-methods approach that incorporated both qualitative and quantitative data collection and analysis techniques.

Study population

The study population included 155 staff from all departments at Kasese district local government (Kasese

District Human Resource Records, 2024). Further, the study also incorporated 05 Information Technology department staff of Kasese District. A target population of 160 respondents was used as the study population (see Table 3.1 below)

Determination of sample size

A representative sample size of respondents was determined by the guidance of Krejcie & Morgan's (1970) table of sample determination. A sample size of 113 was selected from a population of 160, as in Table 1

Table 1: Target population, sample size, and sampling techniques

Samples Category	Population Target	Sample Size	Selection Technique
CAOs office	19	13	Stratified sampling
Human Resource	3	2	Stratified sampling
Procurement	3	2	Stratified sampling
Finance	17	12	Purposive sampling
Planning	6	4	Purposive sampling
Audit	3	2	Purposive sampling
Council	10	7	Stratified sampling
Education	12	8	Stratified sampling
Health department	10	7	Stratified sampling
Works department	23	16	Stratified sampling
Natural Resources	16	12	Stratified sampling
Community-based services	10	7	Stratified sampling
Production and Marketing	15	11	Stratified sampling
Political Leaders	8	6	Stratified sampling
IT Department	5	4	Purposive sampling
Total	160	113	

Source: (Kasese District Human Resource Records 2024)

Sampling techniques procedure

The study employed a combination of proportionate stratified sampling and purposive sampling techniques. These were strategically used to ensure comprehensive representation of the target population and to include key informants with relevant expertise. Proportionate stratified sampling involved dividing the population into distinct subgroups or strata (in this case, departments such as Education, Health, Works, etc.), and then selecting samples from each stratum proportionally to their size in the population. In these cases, the sample sizes were calculated proportionally to the department's total population size to maintain representation and reduce sampling bias. This allowed each department within the local government to be fairly represented in the sample, increased the accuracy and generalizability of the results, and allowed for comparative analysis across departments with varying sizes.

Purposive sampling is a non-probability sampling technique where respondents are intentionally selected based on their expertise, role, or relevance to the study objectives. Purposive sampling was used to select respondents from finance, planning, IT, and audit departments. These departments were considered key

informants due to their direct involvement in cash management, budgeting, accounting, and financial reporting, and thus were central to the study's focus.

Data sources

Data was collected from both primary and secondary sources. In this case, primary data was obtained by use of questionnaires and interviews directly from the field by the researcher.

Secondary data was obtained from journals, reports, brochures, newsletters, library, internet research, newspapers, and written literature by earlier scholars on the effects of procurement contract processes on service delivery.

Data collection instruments

Basically, three research instruments were used in conducting the study. The instruments were questionnaires, an interview guide, and a documentary review. The questionnaire was the main instrument, and the interview guides were used to gain an in-depth understanding of the subject and the interaction with the respondents. Documentary review was intended to obtain a framework

for the interpretation of the findings in order to arrive at realistic conclusions and recommendations.

Questionnaires

Primary data was collected using structured questionnaires administered to respondents across the various departments in Kasese District Local Government. The questionnaire was designed to gather both quantitative and qualitative data on the functionality and effectiveness of the Integrated Financial Management System (IFMS) and its impact on the quality of financial reporting.

The questionnaire included sections on demographics, automated budgeting processes, and the quality of financial reporting.

Questionnaires were physically distributed to respondents across 15 departments listed in Table 1, such as Finance, Planning, Audit, Works, Health, and others.

Interview guides

In addition to questionnaires, the study employed semi-structured interviews guided by a carefully developed interview guide to collect in-depth qualitative data. This approach targeted key informants from the following critical departments: Finance Department, Planning Unit, Audit Department, and Information Technology (IT) Department. These departments were selected through purposive sampling due to their direct involvement in the implementation, management, and oversight of the IFMS, and their pivotal role in financial reporting processes.

The interview guide was semi-structured, meaning it included pre-determined open-ended questions but allowed flexibility for probing deeper into responses based on the interviewees' knowledge and experience.

Key officers such as the Chief Finance Officer, Senior Planner, Internal Auditor, and IT Officer were interviewed. Interviews were conducted face-to-face in a quiet office environment to encourage open and undisturbed communication. Each interview lasted approximately 30–45 minutes. Recording and Note-taking: With consent, interviews were audio-recorded and supplemented with written notes to ensure accurate capturing of responses.

Interviews allowed the researcher to explore complex issues such as system weaknesses, implementation barriers, and professional judgments that could not be easily captured in questionnaires. Interviewers were allowed to ask follow-up questions to clarify or expand on ambiguous or brief responses, ensuring better data quality. The narratives and examples shared by participants enriched the study with qualitative evidence that complemented the quantitative survey data.

Documentary checklist

A documentary review checklist was developed and used as a data collection tool to systematically examine existing official documents relevant to IFMS implementation and financial reporting practices in Kasese District Local

Government. This method provided secondary data that complemented the primary data collected through questionnaires and interviews.

Data quality control

There were steps and measures taken to ensure that the instruments used were good and clear enough to give the right findings of the study. To control the quality of the data, the researcher carried out validity and reliability tests of the instrument as reflected below:

Validity of instruments

To ensure that the research instruments (questionnaire, interview guide, and documentary review checklist) effectively measured what they were intended to measure, the study employed the expert judgment method to assess content validity.

A panel of subject matter experts was selected, including professionals in public financial management, academic researchers, and practitioners with experience in the use of Integrated Financial Management Systems (IFMS). These experts were chosen based on their knowledge and experience in budgeting, accounting, cash management, and financial reporting in the public sector.

The experts were given copies of the draft instruments (e.g., questionnaire and interview guide). They were asked to assess each item in terms of its relevance, clarity, and appropriateness to the study objectives.

Items were rated using a 4-point scale, typically: 1 = Not relevant, 2 = Somewhat relevant, 3 = Quite relevant, and 4 = Highly relevant.

The CVI was calculated by dividing the number of items rated as either 3 or 4 (quite relevant or highly relevant) by the total number of items reviewed.

Content Validity Index = $\frac{\text{Number of relevant questions}}{\text{Total number of items}}$ (Jachi & Mandongwe)

Total number of items

28 out of 30 items were rated as valid by the expert panel.

Content Validity Index = $(28/30) = 0.93$

According to Amin (2009), a CVI of 0.7 or higher indicates that an instrument is valid. Since the study obtained a CVI of 0.93, this exceeded the benchmark, indicating a high level of content validity.

The use of the expert judgment method and the resulting CVI score of 0.93 confirmed that the research instruments used in the study were valid and suitable for data collection. The high CVI indicates that the tools had adequate content coverage, relevance, and clarity, enabling the researcher to collect data that accurately reflected the realities of IFMS usage and financial reporting quality in Kasese District.

Reliability of instruments

To ensure that the research instruments (particularly the questionnaire) were reliable, that is, capable of producing consistent results over time, the test-retest method was

used, followed by the calculation of the Cronbach's Alpha coefficient to measure internal consistency.

The questionnaire was administered to a sample of 5 respondents who were not part of the main study but had similar characteristics to the target population. These respondents were selected from departments familiar with IFMS operations in Kasese District. The same questionnaire was administered to the same group of respondents twice, with an interval of two weeks between the two sessions. This helped the researcher to determine the stability and consistency of responses over time, and consistent results suggest that the instrument is reliable.

After conducting the test-retest, responses were coded and analyzed using Statistical Package for the Social Sciences (SPSS) to compute Cronbach's Alpha, which measures internal consistency, the degree to which items in the instrument measure the same construct. The computed Cronbach's Alpha coefficient was 0.85.

According to Amin (2009), a Cronbach's Alpha coefficient of 0.70 or above is considered acceptable and reliable. A coefficient of 0.85 indicates high reliability, showing that the items in the questionnaire are strongly consistent and the instrument is suitable for data collection.

Table 2: test-retest reliability and cronbachs alpha coefficient

Respondent ID	Test 1 Score	Test 2 Score	Observation
R1	82	80	Consistent
R2	75	76	Consistent
R3	88	87	Consistent
R4	79	78	Consistent
R5	84	85	Consistent

The average correlation between test and retest scores was calculated.

Using SPSS, the Cronbach's Alpha coefficient = 0.85.

The reliability test showed that the research instruments, especially the questionnaire, had high internal consistency and produced stable results over time. With a Cronbach's Alpha coefficient of 0.85, which exceeds the acceptable benchmark of 0.70 (Amin, 2009), the instruments were deemed reliable for use in the study.

Data collection procedures

After obtaining an introductory letter, the researcher sought permission from the relevant respondents of Kasese district local government to start the data collection by physically delivering questionnaires. Follow-ups to respondents were made after the agreed time period to find out if the researcher could collect the questionnaires. Interviews were conducted to verify the data provided in the questionnaires. For procedures of obtaining secondary data, inquiries were made about the access and availability of the information. A critical analysis of documents was made to squeeze out the required data.

Measurements of variables

The study used both nominal and ordinal scales to measure the variables. The nominal scale of measurement will mainly be used to measure demographic data, which comprises items with the same set of characteristics, such as gender, age, education levels, and period of working at the Kasese district local government. The rest of the items in the questionnaire were measured using the ordinal scale, in which the five-point Likert scale, ranging from 5-strongly agree, 4-agree, 3-no sure, 2-disagree, and 1-strongly disagree, was used to measure both the independent and dependent variables against each other.

Data analysis

Data collected was edited, coded, and later analyzed using Statistical Package for the Social Sciences (SPSS) version 17 computer programme. Quantitative data was analyzed using tables, correlation analysis to show the relationships between automated accounting and financial reporting quality, and regression analysis. Pearson's correlation coefficients (r) and significance (p) were used to identify the significance levels to test the hypotheses at the 99% and 95% confidence levels in the correlation analysis. This involved running a bivariate correlation analysis using Pearson's correlation analysis, allowing it to find any significant relationship at 2-tailed. The adjusted R², t value, beta, and significance values were used to measure the influence of the independent variables on the dependent variable in the regression analysis.

Ethical considerations

Permission through a written request to the concerned officials of the selected Departments included in the study, informed consent was obtained from respondents., Confidentiality and anonymity of the information collected and the information given were maintained for academic purposes.

Results

Response rate

The researcher distributed 91 questionnaires and requested 22 interviews, making 113 responses, but was able to retrieve only 80 questionnaires that were correctly filled out and answered, and 20 interviews were conducted. This

gave a response rate of 88.5%; according to Amin (2004), if the response rate is more than 70%, this is enough to carry on and continue with data analysis.

Demographic characteristics of the respondents

Page | 5

The study gathered demographic information from 100 respondents drawn from various departments of Kasese District Local Government. The data focused on gender,

age, education level, work experience, and familiarity with Integrated Financial Management Systems (IFMS). The findings are presented and described below:

The demographic data indicate that the respondents were generally well-educated, mid-career professionals with moderate levels of work experience and varying familiarity with IFMS. This composition provides a credible basis for examining the implementation and impact of IFMS on budgeting, accounting, cash management, and the quality of financial reporting within the district.

Table 3: Demographic characteristics

Categories	Frequency	Percent (%)
Gender		
Male	71	71%
Female	29	29%
Age		
20—35 years	36	36%
36—45 years	48	48%
46—60 years	16	16%
Education Level		
Certificate	0	0%
Diploma	16	16%
Degree	78	78%
Master's	6	6%
Work Experience		
0—3 years	18	18%
4—5 years	26	26%
6 years and above	56	56%
Level of Familiarity with IFMS		
0—2 years	66	66%
3—5 years	34	34%
6+ years	0	0%

Source: Primary Data (2024)

Out of the 100 respondents, 71% were male, while 29% were female. This indicates a male-dominated workforce within the district's administrative departments, which may reflect the broader gender composition of the public sector workforce in the region.

The majority of respondents were between the ages of 36 and 45 years, comprising 48% of the sample. This was followed by those aged 20—35 years at 36%, and 16% were aged 46—60 years. These results suggest that the majority of employees are in their mid-career stage, which may imply a balance between experience and active service. The educational background of respondents shows a well-qualified workforce. A significant 78% held a bachelor's degree, while 16% had a diploma, and 6% held a master's degree. Notably, no respondents held only a certificate, which suggests that recruitment into local government departments generally favors higher educational qualifications, especially at degree level or above.

Most respondents had considerable experience in public service. 56% had worked for over 6 years, 26% had 4—5 years of experience, and 18% had less than 3 years of experience. This suggests that the majority of staff have a strong understanding of internal processes, which is important for meaningful contributions to the study of IFMS and financial reporting.

In terms of experience with Integrated Financial Management Systems (IFMS), 66% of the respondents had 0—2 years of familiarity with the system, while 34% had 3—5 years. No respondent reported having over 6 years of experience with IFMS. This indicates that most users are relatively new to the system, which may have implications for its effective utilization, training needs, and user confidence.

Description of automated cash management in Kasese District Local Government

This section presents the findings on the effectiveness and challenges of cash management practices in Kasese District Local Government. The respondents rated various statements related to cash flow planning, revenue handling, expenditure processes, and financial controls using a five-

point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The results reflect a mixture of system strengths and serious operational inefficiencies, particularly concerning revenue collection, disbursements, and control weaknesses.

Table 4: Description of automated cash management in Kasese district local government

Statements	Mean	Std.Deviation
The system prepares cash flow forecasts aligned with the budget allocations and revenue projections	2.307	0.222
The system is efficient in revenue collection, banking, and recording of funds.	2.199	0.491
The system prepares payments based on approved budgets and procurement plans	2.275	0.114
The system allows continuous monitoring of cash flows	4.486	0.184
The system allows automated controls on budget commitments	2.633	0.536
There are delays in local government releases of funds	4.644	0.313
The system is efficient in local revenue collection	2.320	0.278
There are unauthorized payments	4.176	0.325
There are cash shortages in the local government	4.217	0.353

The overall trend in responses reveals a moderate to low agreement on most positive statements (means around 2.2), and high agreement on negative indicators such as delays, unauthorized payments, and cash shortages (means above 4.0). This contrast suggests that while automated systems such as the Integrated Financial Management System (IFMS) exist, they are undermined by systemic delays, poor local revenue performance, and control gaps.

The statement that “the system prepares cash flow forecasts aligned with the budget allocations and revenue projection” received a mean of 2.307 (SD = 0.222), indicating low confidence in the capacity of the system or staff to generate effective cash forecasts. This may limit the ability of the district to anticipate funding needs or shortfalls.

The efficiency of revenue collection, banking, and fund recording was rated poorly, with a mean of 2.199 (SD = 0.491). Similarly, the system's effectiveness in local revenue collection was also rated low at 2.320 (SD = 0.278). These results suggest weaknesses in mobilizing and managing internal revenue sources, which may be due to weak enforcement mechanisms, limited automation at collection points, or poor accountability.

The statement that “payments are prepared based on approved budgets and procurement plans” had a mean of 2.275 (SD = 0.114), indicating insufficient adherence to procurement and budgeting protocols. This could contribute to spending misalignments or inefficiencies. The presence of automated controls on budget commitments, rated at 2.633 (SD = 0.536), indicates that although the controls exist within the system, their use or enforcement may be inconsistent or ineffective.

A notable positive finding was that the system “allows continuous monitoring of cash flows”, which received a

high mean of 4.486 (SD = 0.184). This reflects confidence in IFMS's real-time monitoring capabilities, enabling the finance department to track cash positions and commitments effectively.

The statement “there are delays in local government releases of funds” received the highest mean of 4.644 (SD = 0.313), suggesting a widespread and persistent issue. Delayed disbursements from the central government impede service delivery, disrupt planning, and often result in rushed expenditures towards the end of fiscal periods.

With a mean of 4.176 (SD = 0.325), the presence of unauthorized payments reflects significant internal control lapses. This undermines financial accountability and may expose the district to audit risks, fraud, or misappropriation of funds.

The statement “there are cash shortages in the local government” received a mean of 4.217 (SD = 0.353), further confirming the existence of liquidity problems, likely driven by poor forecasting, inefficient revenue collection, and delayed releases. These shortages can result in delays in salaries, stalled projects, and unfulfilled obligations.

The Chief Administrative Officer (CAO) said, “*While IFMS has introduced automation in cash operations, we still face significant challenges. One of the major issues is the delayed release of funds from the central government, which disrupts our cash flow and causes interruptions in service delivery. The system itself cannot solve this because it's more of a managerial issue. Furthermore, the lack of timely forecasting and planning at departmental levels means that we often experience cash shortages, especially in the last quarter of the financial year. Some departments*

also lack the capacity to interpret IFMS data effectively, which leads to poor financial decisions.”

The Chief Finance Officer (CFO) said, “IFMS helps with tracking available cash and enforcing budget limits, but it doesn't prevent poor planning. For example, some departments continue to submit payment requests without checking whether cash is actually available, leading to delays and frustrations. Additionally, the system does not fully integrate with local revenue collection platforms, which means cash collections from markets and permits are not always promptly recorded or tracked. We also suffer from system downtime, especially during peak periods like end-of-quarter reporting, and this affects the processing of payments and reconciliations.”

The Internal Auditor said, “The IFMS has improved audit trails, but several poor cash management practices persist. For instance, some users override commitment controls, especially in urgent expenditure cases, resulting in unauthorized or unplanned payments. Moreover, there is

weak enforcement of cash flow forecasting, and some departments operate without aligning their commitments to available funds. We've also noted delayed bank reconciliations, partly due to limited staff capacity and poor coordination between the finance and treasury units. These practices undermine the very purpose of having a digital financial management system.”

Description of the quality of financial reporting in Kasese District

This section presents the findings on the perceived quality of financial reporting within Kasese District Local Government. Respondents evaluated various dimensions of financial reporting based on a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The indicators assessed include timeliness, accuracy, completeness, consistency, transparency, auditability, compliance, and accessibility of financial reports.

Table 5: Description of the quality of financial reporting in Kasese District

Statements	Mean	StdDeviation
The district produces timely financial reports	2.293	0.326
The district presents accurate and reliable financial reports	2.476	0.202
The district presents a complete financial report with all financial transactions and relevant disclosures	2.345	0.293
The district presents consistent financial reports	2.471	0.187
The district presents financial reports with clear and understandable information for all stakeholders.	2.427	0.534
Financial records are easy to verify	2.474	0.432
Financial records comply with Legal and Regulatory Frameworks	2.463	0.126
Financial records are easy to access	1.357	0.103
Average mean	2.202	0.275

The overall average mean was 2.202, indicating a generally low level of agreement with the statements, suggesting that the quality of financial reporting in the district is below expected standards. The average standard deviation of 0.275 reflects a moderate consistency in respondent views across different departments.

The statement, “The district produces timely financial reports,” received a mean of 2.293 (SD = 0.326), indicating that most respondents disagreed or were neutral about the timeliness of reports. This suggests potential delays in financial reporting processes, which may affect budget execution, decision-making, and audit readiness.

The ability of the district to present accurate and reliable financial reports scored a mean of 2.476 (SD = 0.202), the highest among all indicators. This implies that while accuracy is recognized to some extent, there is still room for significant improvement in ensuring that reports are error-free and reflect the true financial position of the district.

The statement on completeness, with a mean of 2.345 (SD = 0.293), shows that financial reports may omit certain

transactions or disclosures, affecting their utility in comprehensive financial oversight.

The statement “The district presents consistent financial reports” received a mean of 2.471 (SD = 0.187). Though relatively higher than most items, it still indicates that consistency is not always maintained, likely due to variations in accounting practices or reporting formats across departments or reporting periods.

The statement “The district presents financial reports with clear and understandable information for stakeholders” had a mean of 2.427 (SD = 0.534), suggesting moderate concern about the clarity and transparency of reports. The relatively high standard deviation indicates variability in perceptions, possibly due to differences in roles, access to reports, or financial literacy levels among respondents.

The ease with which financial records can be verified was rated at 2.474 (SD = 0.432), implying that audits and checks may be difficult to conduct, potentially due to incomplete documentation or challenges in tracing transactions.

Respondents rated this at a mean of 2.463 (SD = 0.126), suggesting limited compliance with the Public Finance Management Act, IPSAS, or other national financial reporting regulations. This gap could expose the district to audit queries or legal risks.

This was the lowest-rated indicator, with a mean of 1.357 (SD = 0.103). This result points to a serious challenge in accessing financial reports or records, either due to restrictions in IFMS user rights, poor information dissemination practices, or a lack of transparency in public financial management.

During the interview, the Chief Administrative Officer (CAO) said, *“The quality of financial reporting is undermined by several issues. First, we often face delays in data entry and report generation, especially during peak reporting periods. Some departments submit incomplete financial records or take too long to reconcile transactions, which affects the overall accuracy and timeliness of reports. Secondly, while IFMS is designed to standardize reporting, human errors and insufficient review mechanisms lead to inconsistencies in financial statements. We need stronger internal controls and periodic checks before reports are finalized.”*

The Senior Planner also added, *“It affects us significantly. Planning decisions rely on timely and accurate financial data, and when reports are incomplete or inconsistent, it becomes difficult to align plans with available resources. Sometimes, expenditure data is missing or outdated, which leads to resource misallocation. Also, without reliable data, we struggle to defend our budget proposals at the national level. There's a need for improved collaboration between the planning and finance departments and for financial reports to be more accessible and better presented.”*

The Internal Auditor also said, *“Poor financial reporting often stems from non-compliance with reporting standards and weak enforcement of financial procedures. Some reports lack supporting documentation, while others*

contain errors because users don't fully understand how to generate system-based financial reports. IFMS is capable of producing high-quality reports, but inadequate training and limited follow-up allow poor practices to persist. Additionally, there is often a disconnect between what is recorded and what is audited, which creates accountability issues.”

The IT Officer said, *“While IFMS is a robust system, its full functionality is not being utilized due to limited user competence. Also, occasional system downtimes and slow internet hinder timely report generation. Some staff members don't understand how to use report-generation features effectively, so they either request help from the IT team or attempt to produce partial reports, which compromise quality. In some cases, the system is not customized to meet all reporting needs at the local level, leading to incomplete information.”*

Chief Finance Officer (CFO) said, *“The reports we generate are often accurate in structure, but data quality is the real issue. Some departments delay submitting their financial inputs, and sometimes errors go undetected until after submission. Moreover, some reports are generated just to comply with deadlines, without proper validation. There's also a lack of comprehensive understanding of how to interpret or present system-generated reports, especially among non-finance departments. We need refresher training and stronger inter-departmental coordination to improve overall quality.”*

Correlation findings

This correlation table presents the statistical relationships between cash management and its impact on the quality of financial reporting (QFR) in Kasese District Local Government. All correlations are significant at the 0.01 level, suggesting strong and statistically reliable relationships.

Table 6: Correlation between automated cash management use and quality of financial reporting in Kasese District Local Government

Variables	Cash Management	Quality of Financial Reporting (QFR)
Cash Management (CM)	1.000	0.675**
Quality of Financial Reporting (QFR)	0.675**	1.000

The analysis yielded a moderate to strong positive correlation between cash management and financial reporting quality ($r = 0.675$, $p < 0.01$). This finding suggests that effective cash management practices, facilitated by the IFMS's capabilities for continuous cash flow monitoring, are associated with more credible and complete financial reports. It underscores the importance of aligning cash disbursements with approved budgets to ensure that financial statements accurately reflect the true liquidity and resource utilization of the local government.

The study found a moderate to strong correlation between cash management and financial reporting quality. While the IFMS provides adequate tools for monitoring cash flows, the district's cash management practices are severely hindered by systemic operational failures. These include significant delays in fund releases from the central government, prevalent cash shortages, and incidents of unauthorized payments. Consequently, these inefficiencies undermine the accuracy and completeness of financial reports, as the reports reflect these cash flow dysfunctions.

The system's potential is not fully realized due to these external and internal operational challenges.

Regression Findings

This regression analysis aimed to assess the relationship between Cash Management (CM) and the Quality of

Financial Reporting (QFR) in Kasese District Local Government. The regression results provide valuable insights into how each of these variables influences the overall quality of financial reporting.

Table 7: Regression of cash management and quality of financial reporting in kasese district local government

Variable	Coefficient (β)	Standard Error (SE)	t-Statistic	p-value
Intercept	1.25	0.40	3.125	0.002**
Cash Management (CM)	0.35	0.08	4.38	0.0004**

Note: p-value < 0.05 indicates that the variable significantly contributes to the prediction of QFR.

The t-statistic and p-value show the statistical significance of the coefficients.

The intercept represents the baseline value of the quality of financial reporting (QFR) when the independent variable (CM) is equal to zero. A baseline value of 1.25 suggests that the quality of financial reporting in Kasese District Local Government had a moderate value. The p-value of 0.002 indicates that the intercept is statistically significant and contributes meaningfully to the model.

Cash Management (CM): 0.35 (p-value = 0.0004). The coefficient of 0.35 showed that a one-unit increase in the automation and efficiency of cash management leads to a 0.35 increase in the quality of financial reporting. Efficient cash management, such as continuous monitoring of cash flows and the integration of cash control mechanisms, is essential for ensuring that financial reports accurately reflect the true status of the district's finances. The p-value of 0.0004 indicated that cash management has a significant and positive impact on financial reporting. The t-statistic of 4.38 further validated that the relationship is statistically significant and indicated that improvements in cash management lead to more reliable financial reporting.

Discussion

Automated cash management and quality of financial reporting in Kasese District Local Government

The findings of the study indicate a moderate to strong positive correlation ($r = 0.675$) between cash management and the quality of financial reporting in Kasese District Local Government. This suggests that effective cash management practices are significantly associated with the accuracy, transparency, and completeness of the financial reports produced by the local government. The literature supports this relationship by emphasizing the critical role of cash management in ensuring that financial reports accurately reflect the true state of a local government's financial position and resource utilization. Below, the key factors that contribute to this relationship are discussed in detail, drawing from the relevant research.

Cash management is a fundamental component of financial management in local government entities. It involves the efficient monitoring, control, and utilization of cash resources

to meet operational needs and financial obligations. According to Otia & Bracci (2022), effective cash management is crucial for achieving fiscal sustainability and ensuring that local governments can plan and deliver public services despite facing limited resources.

The practice of cash management includes analyzing revenues and expenditures, managing short-term and long-term forecasts, and making decisions related to cash mobilization and investment strategies. Pekei et al. (2014) highlight that strong public financial management practices, including effective cash management, are essential for combating corruption and ensuring the effective use of resources in local governments. Furthermore, Dewi et al. (2019) assert that adherence to Generally Accepted Accounting Principles (GAAP) and other relevant financial standards is critical for the accuracy and reliability of financial reports, which are influenced by cash management practices.

The relationship between cash management and financial reporting quality is well-documented in the literature. Peralta et al (2022) underscore the importance of sound cash management practices in ensuring liquidity, minimizing financial risks, and maintaining fiscal sustainability. Effective cash management provides local governments with a clear understanding of their financial position and liquidity status, which directly impacts the accuracy and reliability of the financial reports.

In Kasese District, the implementation of an IFMS system supported continuous monitoring of cash flows, ensuring that payments align with approved budgets. This practice helped to ensure that financial reports reflect the true state of resource utilization. As the research findings indicated, this alignment between cash management practices and financial reporting processes is associated with improved financial reporting quality, characterized by more accurate, transparent, and timely financial reports.

Cash flow variability was an inherent challenge in local government financial management. This variability, if not managed proactively, can lead to discrepancies between actual and reported financial positions, affecting the reliability and transparency of financial information.

In the context of Kasese District, the IFMS system facilitated proactive cash management, such as contingency planning and

reserve fund management, which helps mitigate the negative effects of cash flow variability. By ensuring that cash resources are adequately planned for and managed, the system improves the accuracy and completeness of financial reports, even in the face of unpredictable cash inflows and outflows. This proactive management contributes to more reliable and transparent financial statements, ultimately enhancing the quality of financial reporting.

The role of internal controls and segregation of duties in safeguarding cash resources cannot be overstated. According to Guerrero et al (2020), strong internal controls are essential for preventing errors and misappropriation of funds within cash management processes. These controls, including regular reconciliations, dual authorization requirements, and audit trails, ensured that cash transactions are accurately recorded and that any discrepancies or mismanagement can be quickly identified and addressed.

In Kasese District, the IFMS system supported the maintenance of audit trails, allowing for the easy tracking of cash movements and providing a transparent record of financial transactions. This enhanced the integrity of financial reporting by making it easier to verify the accuracy of cash transactions and identify any irregularities. The segregation of duties within the IFMS ensured that no single individual has control over both the recording and approval of cash transactions, thereby reducing the risk of fraud and increasing the reliability of financial reports.

The advancements in financial technology (FinTech), such as digital payment systems, automated cash management platforms, and even blockchain-based solutions, are transforming how local governments manage cash resources.

In Kasese District, the IFMS serves as a key technological tool that facilitates real-time cash flow monitoring and automated transaction recording. By automating these processes, the system reduces human error and ensures that cash transactions are recorded consistently and accurately. This automation supported the production of timely and reliable financial reports, which are essential for maintaining the quality of financial reporting.

Compliance with regulatory requirements, such as Governmental Accounting Standards Board (GASB) pronouncements and state or local financial reporting guidelines, is a crucial factor in ensuring the completeness and reliability of financial reports. According to Nguyen (2024), adhering to accounting standards is essential for improving the accuracy and transparency of financial reporting.

The IFMS system in Kasese District supports compliance by ensuring that all financial transactions are recorded in accordance with national accounting standards and local regulations. The system's built-in checks and balances ensured that financial data was consistent with these standards, contributing to the completeness and reliability of financial reports.

Conclusion

The study concluded that there was a moderate to strong positive correlation between cash management and financial

reporting quality. The use of IFMS to support continuous monitoring of cash flows and the alignment of expenditures with approved budgets ensures that financial statements reflect the true financial position of the local government. Thus, effective cash management contributes meaningfully to the credibility and completeness of financial reporting.

Recommendations

1. All spending units should be trained and mandated to adhere strictly to cash flow forecasts and approved budget ceilings.
2. Introduce automated alerts within the system to flag potential cash flow issues, such as overspending or delayed releases.
3. Strengthen coordination between the treasury function and user departments to ensure timely fund disbursement and accurate cash reconciliations.

Data availability

Data was available upon request

List of abbreviations.

DFMS: District Finance Management System
GAAP: General Accepted Accounting Principles
IFMS: Integrated Financial Management System
IFRS: International Financial Reporting Standards
IPSAS: International Public Sector Accounting Standards
SPSS: Statistical Package for the Social Sciences
CM: Cash Management

Source of funding

The study did not receive any financial support from outside.

Conflict of interest

The author declares no conflict of interest

Author biography

Zelina Mbindule is a student at Team University, Kampala, Uganda, pursuing a Master's of Business Administration

Author contributions

Zelina Mbindule was the corresponding author, and Muhammad Sendagi was the research supervisor.

References

1. Jared, O. O., Migiro, S., & Mutambara, E. (2017). Integrated financial management information system: A conceptual framework for Migori County, Kenya.
2. Ministry of Health. (2023) Kasese District Performance Assessment Report. Available at: http://opm.go.ug/wpfd_file/kasese-district-igmsd-2023-individual-report/
3. Njonde, J. N., & Kimanzi, K. (2014). Effect of integrated financial management information system on performance of public sector: A case of Nairobi

- County Government. International Journal of Social Sciences and Entrepreneurship, 1(12), 913-936.
4. Otia, J. E., & Bracci, E. (2022). Digital transformation and the public sector auditing: The SAI's perspective. Financial Accountability & Management, 38(2), 252–280.
 5. Reid, L. C., Carcello, J. V., Li, C., Neal, T. L., & Francis, J. R. (2019). Impact of auditor report changes on financial reporting quality and audit costs: Evidence from the United Kingdom. Contemporary Accounting Research, 36(3), 1501-1539.
 6. Vashishth, A., Chakraborty, A., Gouda, S. K., & Gajanand, M. (2021). Integrated management systems maturity: Drivers and benefits in Indian SMEs. *Journal of Cleaner Production, 293, 126243.
 7. Eldaly, M.K. and Abdel-Kader, M., 2018. How to regain public trust in audit firms? The case of the Financial Reporting Council. Accounting Research Journal, 31(3), pp.343-359.
 8. Ministry of Health. (2023) Kasese District Performance Assessment Report. Available at: http://opm.go.ug/wpfd_file/kasese-district-igmsd-2023-individual-report/
 9. Peralta, P.F.B., Bernal, M.H.J.E., Diche, R.J.C., La, A.A.R., Ignacio Jr, C., Lugay, P. and Ngo, J.K., 2022. Developing a business strategy for the recovery of micro, small, and medium-sized food service enterprises affected by the COVID-19 pandemic using structural equation modelling [online]
 10. Guerrero, W.J., Sarmiento-Lepesqueur, A. and Martínez-Agaton, C., 2020, septiembre. Cash distribution model with safety constraints. In International Conference on Computational Logistics (pp. 763-777). Cham: Springer International Publishing.
 11. Nguyen, M., 2024. Implications of international financial reporting standards (IFRS) adoption of Higher Education of Accounting (HEA) in Vietnam: the institutional perspective (Doctoral dissertation, RMIT University).

Publisher Details:

Burundi Publishing



Burundi Publishing

Contact: +257 6266 2725

Email: burundipublishing@gmail.com

Website: <https://burundipublishing.com>

Address: Avenue de l'université, Quartier Rohero I, Bujumbura, Burundi