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Integration of Financial Information Activities: A Case of Local Government Authorities in Mashonaland West Province, Zimbabwe

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Abstract: The main aim of the study was to investigate the impact of non-integration of accounting activities in line with preparation and presentation of financial statements of local authorities in Mashonaland West Province, Zimbabwe. The research adopted the descriptive survey approach. Primary data was collected using interviews and questionnaires. The study findings revealed that the local authorities' finance departments were using the integrated accounting systems. The main challenges faced by local authorities were delays in preparation, presentation and publication of financial statements as information would be physically collected from different sections of the local councils/authorities for consolidation purposes and also poor storage facilities resulting in accounting invoices being lost. The study recommended that Ministry of local Government should provide assistance in form of equipment such as integrated accounting package (SAP) which is online accounting system that captures integrated transactions.

Keywords: Integration Accounting, Package, Local Government Authority, Financial Accounting Information Systems, Real Time Information.

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INTRODUCTION

According to Turner & Weickgenannt (2013), an integrated accounting information system has the capability to produce information in real-time which makes it very easy to prepare financial statements. Once a transaction occurs and is punched into the system by one system user, it will be automatically available to all other users and departments hence information is real time. Due to ever increasing completion, there is high demand for real time information in order to make economic decisions and this increase in demand for real time information is one of the driving factor which force companies to shift from non-integrated to ERP as noted by Butkevičius (2019); & Spathis & Constantinides (2010). According Deloitte (2014), financial statements are supposed to be presented timely therefore the accounting information system fulfils this requirement and that of generally accepted accounting practices. Brown (2018) however, argues that real time financial information can be achieved by any accounting information system only if the system is properly administered. According to Butkevičius (2019), using integrated accounting information systems saves employee's time in processing accounts because once a transaction occurs and punched in the system, it is automatically updated to all the corresponding accounts thus reducing cost of processing. Instead of cost ledger, control account, general ledger adjustment account, purchases account and stores ledger account, only one set of books are maintained and thus save time and money, (Rajasekaran

& Lalitha, 2010). The real time in nature of data capturing and processing decreases the total processing time. Spathis & Ananiadis (2015) reviewed that the integrated accounting information systems are adopted with the aim of achieving substantial cost savings as well as improved access to "tried and tested" solutions. Furthermore, according to Rodin-Brown (2018), a well-integrated accounting information system provides timely, accurate, reliable and consistent financial information for users to make informed decisions. Rajasekaran & Lalitha (2010) stated that due to online consolidation of information from various departments, correct and reliable data can be obtained under this system and as such the financial results of the organisation will be more accurate. Information is power hence its accuracy will lead to accurate decisions being made by the users of financial information. Integrated AIS enhance decision-making by providing accurate and updated organization-wide information; both of which should then lead to improved company performance (Spathis & Ananiadis, 2015). It was further noted by Talabis & Martin (2012) that the use of integrated AIS also reduce errors of omission hence reported information will be accurate. The authors are in agreement that the use of integrated AIS increases accuracy and reliability of accounting information and thus reduce reconciliation problems as noted by Spathis & Constantinides (2010).

Moreover, Rajasekaran & Lalitha (2010) reviewed that "keeping unnecessary accounting records and a duplication of accounting work are eliminated to a

greater extent when using an integrated accounting information system". If information is punched once in to the system and automatically updates the database, there will be no duplication of work where by one will have to process again in the other department same information processed by the other department. (Turner & Weickgenannt, 2013; & Daoud & Triki, 2013) noted that the use of a single database enhances sharing of information between the business's functional areas which strengthens the relationship between departments. Nicolaou (2009) confirmed that the adoption and the use of integrated information systems by organisations enable complementary strategies and ways in the monitoring and facilitation of good departmental relationship. Spathis & Ananiadis (2015) postulated that the essence of a complete integration of accounting system is to automate business processes and to share common data across the organization. Brown (2018); & Lanon (2019) postulated that the implementation of an integrated accounting information system provides a clear and complete audit trail which assist in the audit process. The audit process is very simple and does not take time when there is a clear audit trail for transaction and balances. The use of integrated system of accounting makes it easier for audits because the audit trail is very clear and complete. Spathis & Constantinides, (2010) supported the above assertion by further stating that a transaction is only entered once in the system and update automatically all the other accounts in which it should appear and this will make it easier for the auditor to trace the transaction during audits. Lanon (2019) also stated that clear audit trail will reduce the time taken by an auditor trying to understand the information flow which will reduce audit fees. Dameri (2019) however, argues that all accounting information systems manual or computer based can provide a clear and complete audit trail if they are properly managed. The main objectives of local authorities are to provide quality service delivery such as clean water, collection of refuse and employment creation to the country. A study of Mashonaland West Province (rural and urban) local authorities is therefore important given their immense contribution to country in form of service delivery, employment creation and local capital investment. Thus each local authority integrated accounting systems are vital in determining true financial position of each local authority .To begin with, Local government is the lowest in the governmental hierarchy within the concept of federalism. The federal government is the sovereign national, the state government, a quasi-sovereign and local government, and infra-sovereign. It is infra-sovereign, subordinate and subject to the control of the state government; yet it is a separate legal unit being a body corporate having a common seal, with powers to sue and to be sued, mainly providing obligatory municipal services. Furthermore, the local government system in Zimbabwe is a legislative rather than a constitutional creature. In real terms, it means that Local Government is not an independent sphere of

government, but an appendage of central government which determines the birth, development and death of this important sphere of governance. The activities of local government units are coordinated by the Ministry of Local Government, Public Works and National Housing (MLGPW&NH). Another critical ministry in the day-to-day functions of local government is the Ministry of Finance, especially in the area of development planning and public finance for capital projects and publication of financial statement by these local authorities. Mashonaland West Province in Zimbabwe is one of the biggest province with over twenty local authorities, and is expected to play a leading role in socio and economic development of the country, it is reported that for the past 20 years, Mashonaland West has been using non- integrated financial information activities thereby delaying presentation and preparation or publication of financial statements. Mashonaland West Province uses Pastel Partner version 11 together with solfront software, evolution and classic software. The main challenge in operating these different systems is that they are not integrated. Pastel partner and pastel evolution for are used in the Accounts department only. Solfront software is used debt control section. Classic software is used in the human resource department only. This has made it very difficult for the accounts department to timely consolidate transactions of various departments hence a lot of errors occurred which led to inaccuracy of financial information (Mashonaland West Province Management Report 2021). According to Mashonaland West Procedure Manual (2021), all sales and sales invoicing is done using solfront software whether cash or credit and after that the copies of invoices are given to accounts for processing them in to pastel partner. The solfront software also gives a summary of sales for the month in form of a revenue report which will then processed in pastel, so output of solfront is input of pastel. If an invoice is misplaced and does not reach the accounts department, this could distort accurate information being reported on the state of affairs of the organisation. The payroll is processed using classic software by the human resource department and the output of that system is then processed in pastel partner in order to expense wages and salaries (Mashonaland West Procedure Manual, 2021) Mashonaland West. Management report (2021) noted that during the year 2021 some cash sales were recorded as credit sales while other credit sales were not captured in pastel partner only to be discovered when the debtor came to pay the credit so if the debtor didn't come the issue might have never been noted. It is therefore upon this that a study of Mashonaland West Province (rural and urban) local authorities is therefore important given their immense contribution to country in form of service delivery, employment creation and local capital investment.

EXPERIMENTAL SECTION/ MATERIAL AND METHODS

Statement of the Problem

Delays in preparation of financial statement by local authorities in Mashonaland West Province because of non-integrated of financial information activities has led to wrong interpretation that there was misuse of funds. Reluctance by ratepayers to pay rates and late disbursement of grants by central government because of delays in preparation, presentation and publication of financial statements were also attributed to non-integrated of financial activities. What is the basis of paying rates or giving a local authority grants when its financial statements take almost three years to be prepared and published?

Objectives of the Study

To evaluate integration of financial statements practices in local government authorities and their effects on performance of local authorities based on a study of eighty (80) local authorities staff, in Mashonaland West.

Research Question

Are the financial information accounting records effective enough to consider when making

important decisions by ratepayers or central government on local authorities in Mashonaland West Province?

Methodology

The population of the study consisted of 80(eighty) members from local authorities staff drawn from managerial, accounting, human and debt control department in Mashonaland West Province. A mixed method approach was used to assess the main cause of delay in preparation and presentation or publication of financial statements.

Furthermore, a purposive approach to select 30 (members) members was used for the study as it enabled the researcher to consciously select a sample appropriate for the Study. Interviews and questionnaires that allowed respondents to answer certain questions in order to secure desired information were the data collection tools.

RESULTS AND DISCUSSION

The study wanted to find out problems facing the local Authorities basing on delay in the preparation and presentation or publication of financial statements not considering that the authority had enough manpower. The following results were obtained:

Table 1. Local Authorities' Challenges

Accounting Information Systems Challenges at Mashonaland West Province

Challenges	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Lack of real time information	29%	64%	7%	0%	0%
Too many reconciliations are Performed	21%	58%	7%	14%	0%
Has no clear and complete audit Trail	36%	50%	7%	7%	0%
Storage of too many documents from different departments	14%	65%	14%	7%	0%
Lack of fast communication between departments	36%	64%	0%	0%	0%

Source: Primary data 2022

The majority of respondents agreed (64%) that local Authorities face challenges of lack of real time information when using non-integrated financial information activities, (29%) strongly agree, (7%) uncertain with (0%) disagreement and (0%) strongly disagree.

Thus, in- depth understanding of local Authorities' problems and their effect on delay in

preparation and presentation of financial statements are provided by the respondents included, lack of fast communication, storage of too many documents no audit trail and too much reconciliation.

Do local Authorities face risks associated with the use of non-integrated accounting information system/ activities?

Table 2. Local Authorities' Risks

Risks Associated With the Use of a Non-Integrated Accounting Information System

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Risk of incomplete records	29%	50%	14%	7%	0%
IT internal control risk	7%	50%	7%	36%	0%
Risk of data manipulation	43%	43%	14%	0%	0%
Risk of fraudulent by system users	50%	43%	7%	0%	0%

Source: Primary data 2022

The majority of respondents agreed (50%) that local Authorities face risks of incomplete records

associated with the use of non-integrated accounting system or activities, (29%) strongly agree, (14%)

uncertain, with minority of (7%) Disagree. Another risks associated with non use of integrated system which were provided by the respondents include Information and technological internal control risk, risk of data manipulation as well as risk of fraudulent by system users.

Which Accounting Information System Do You Prefer?

The question was to ascertain whether respondents prefer integrated accounting information system to non-integrated accounting information system or vice-versa. The following table shows the results from this question.

Table 3. Accounting Information System Preferred

	Percentage%
Integrated Accounting Information System	86%
Non-integrated accounting information system	14%

Source: Primary data 2020

(86%) of the respondents prefer an integrated accounting information system while (14%) noted that they prefer non-integrated accounting information system. The majority of respondents showed that they prefer integrated AIS hence it can be concluded that integrated AIS is needed at Mashonaland West Province Local Authority.

Interviews data gathered with the local Authorities members indicated that they were aware of Integrated Accounting information system by the local Authorities, and requirement that they will result in timeously preparation and presentation of financial statements. One of the informants said “...it is vital considering the capacity given of local authority to prepare and present financial statement to its stakeholders/ residents as this remove conception of misuse of funds”.

Furthermore, data gathered through questionnaires concurs with data collected from interviews. Thus, this shows that the respondents were aware of major challenges facing them risk of incomplete records, IT internal control risk, risk of data manipulation and risk of fraudulent by system users.

Use of integrated financial information system directly influences the financial performance of an organisation or entity as they determine key financial variables such as returns, risks, and access to loan. The main aim of organisations is to maintain proper accounts and a complete set of financial statements that reveal whatever information an outside requires. A proper integrated financial information system and proper staff training will enable local authorities to publish their financial statement in time.. Integrated financial information activities / systems practices by local authorities play an important role in determine whether the ratepayers ‘funds are not being misused.

Moreover, the study wanted to find out if Local Authorities were willing to obtain capital from external financiers despite delay of more than three years in preparation and presentation of financial statements Interview data gathered with the informants indicated that were willing to get external funding

provided it was for the good of the ratepayers. In addition, data gathered through questionnaires concurs with data collected from interviews.

FINDINGS

The study revealed that delays in preparation of financial statement were caused by non-integrated financial information activities, thus this findings rate complies with the understanding at the continental level. The local Authorities were not able to give proper service delivery because of non-integration of financial information activities by local authorities.

CONCLUSIONS

The study concluded that local authorities must maintain integrated financial activities so that there is no delay in preparation , presentation and publication of financial statement. Equipment such as integrated accounting (SAP) must be installed in every local authority office.. Preparation of financial statements of local authorities must not be hindered by lack of knowledge by local authority staff.

Recommendations

This study recommends that the Ministry of local Government should provide assistance in form of equipment such as integrated accounting package (SAP) which is online accounting system that captures the integrated transactions.

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