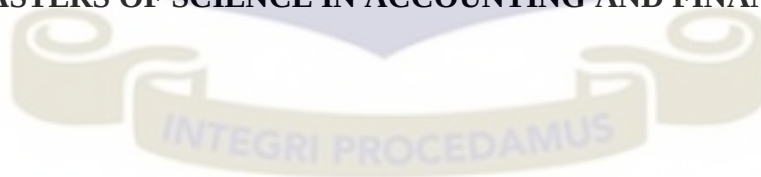


UNIVERSITY OF GHANA

**EVALUATION OF GHANA INTEGRATED FINANCIAL MANAGEMENT
INFORMATION SYSTEM (GIFMIS) OF FINANCIAL REPORTING QUALITY OF
GHANA EDUCATION SERVICE**

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**A LONG EASY SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN
PARTIAL FUFILLMENT OF THE REQUIREMENT OF THE AWARD OF
MASTERS OF SCIENCE IN ACCOUNTING AND FINANCE**



JULY 2019

DECLARATION

I do hereby declare that this work is the result of my own research and has not been presented by anyone for any academic award in this or any other university. All references used in the work have been fully acknowledged.

I bear sole responsibility for any shortcoming.

.....

.....

Richard Kwame Yeboah Ametefe

Date

(10700331)

CERTIFICATION

I hereby certify that this long essay was supervised in accordance with procedures laid down by the university.

Prof. Mohammed Amidu

(Supervisor)

DATE

DEDICATION

I dedicate this work to my parents:

The late Togbe Lily Emmanuel Komla Ametefe (Former Apakamefia of Wli)

and

Madam Gertrude Yawa Kekesi (a.k.a Da Getty)

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LIST OF ABBREVIATIONS

GIFMIS - Ghana Integrated Financial Management Information System

BPEMS - Budget Preparation and Expenditure Management System

FRQ - Financial Reporting Quality

PFM- Public Financial Management

IPSAS- International Public Sector Accounting Standards

GES – Ghana Education Service

IASB- International Accounting Standards Board

MDAs- Ministries Departments and Agencies

CAGD- Controller And Accountant General Department

ABSTRACT

Public sector financial management has witnessed several deficiencies in developing countries including Ghana. This development has led to several reforms by various governments to avert the deficiencies inherent in the management of public finance. Building on current literature, this study generally evaluated the Ghana integrated financial management information system (GIFMIS) of financial reporting quality of Ghana education service. The study specifically sought to examine the weaknesses that characterized BPEMS, the extent to which GIFMIS addresses these weaknesses, its critical success factors, and the challenges encountered. The qualitative research approach was used to investigate the study. Interviews were used to gather data from respondents. These respondents were selected using purposive sampling. The outcome of the study showed that BPEMS was characterized by weak budget formulation, preparation, and lack of ownership, lack of proper accounting and monitoring system, and lack of quality and timely data on government resources. The impact of GIFMIS were found as improved and easy consolidation of financial data, timely production of public accounts, improved transparency and record keeping, improved budgetary control, efficiency in payment processes, and a host of budget execution reports. Further, the key critical success factors of GIFMIS were found as strong political support, high level administrative support, strong local technical team, consciousness of past experience, and donor review and technical advice. Finally, the study found that the challenges facing GIFMIS comprise legislative limitations, inadequate ICT infrastructure, low computer literacy rate in the Ghana Education Service and poor change management. From a policy perspective, the outcome of the study suggests the need for a comprehensive review of existing financial laws to complement the changing business processes, the need to invest in ICT infrastructure in public sector, and retraining of Ghana Education Service personnel in the areas of ICT literacy and change management.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The government of Ghana has both a legal and a moral duty to manage public resources responsibly and accurately account for its stewardship over public funds of Ghana. In order to offer improved stewardship and better accountability over public resources government over the world are implementing reforms to improve transparency and accountability over the management of public resources. Examples of such major accountability initiatives being widely implemented by governments are the promulgation of public Financial Management (PFM) Legislations and the adoption and implement of International Public Sector Accounting Standards (IPSAS) (chan 2003, Tickell 2010).

Today, the necessity for producing quality financial report has received great attention over the world. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit and similar resource allocation decisions enhancing overall market efficiency (IASB, 2013). IASB argues that a key prerequisite quality in financial reporting is the adherence to the objective and the qualitative characteristics of financial reporting information. Qualitative characteristics are the attributes that make financial information useful and consist of relevance faithful representation, comparability, verifiability, timeliness and understand ability. The main indicators of financial information quality from the perspective of the developers of accounting standards are relevance and reliability, which make information useful for decision makers (Nwaobia et al., 2016).

Many financial and accounting researchers have confirmed on the benefits and role of the quality of financial reporting (Jaballah et al., 2014, Chan-Jane and Chae-Jung, 2015), they also indicated that inadequate quality of financial reporting might negatively influence the business performance and economic decisions. This means that the financial reporting quality might determine managers' willingness for engaging in activities that are not valuable. For example, the financial reporting quality may facilitate better contracts to avoid investment efficiency. Furthermore, it can increase investors' ability to control the investment decisions. Therefore, it is expected that high-quality financial report reduce excessive and wasting investments (Biddle et al., 2009).

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2006; IASB, 2008).

Although both the FASB and IASB stress the importance of high-quality financial reports, one of the key problems found in prior literature is how to operationalize and measure this quality. Because of its context-specificity, an empirical assessment of financial reporting quality inevitably includes preferences among a myriad of constituents (Dechow and Dichev, 2002; Schipper and Vincent, 2003; Botosan, 2004; Daske and Gebhardt, 2006). Since different user groups will have dissimilar preferences, perceived quality will deviate among constituents. In addition, the users within a user group may also perceive the usefulness of similar information differently given its context. As a result of this context and user-specificity, measuring quality directly seems problematic (Botosan, 2004). Consequently, many researchers measure the quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reports, such as earnings

management, financial restatements and timeliness (e.g. Barth et al., 2008; Schipper & Vincent, 2003; Cohen et al., 2004).

1.2 Statement of the Problem

The government of Ghana promulgated the Financial Administration Act, 2003, (Act 654) and its consequential Financial Administration Regulations, 2004 (L.I. 1802) for the purpose of improving accountability over the management of public funds. The financial management laws in Ghana contain a robust and comprehensive financial reporting system. Although a reporting regime that complies with the requirements of the Financial Administration Act 2003 (Act 654) and its consequential Regulations is not necessarily IPSAS compliant reflects a number of the requirements of the accrual basis IPSAS which will help improve accountability and deepen transparency with respect to the management of public funds. The annual reports of the Auditor General of the Republic of Ghana over public funds repeatedly highlight infractions and non-compliance with some of the provisions of the Financial Administration Laws. (Auditor General Report on the Consolidated Fund 2012, Auditor General Report on accounts of MDAs 2011, Auditor General Report on accounts of MMMDAs 2011)

Despite a considerable interest in the effectiveness of accounting standards on the quality of financial reporting, empirical literature emerged that offers contradictory findings about the questions to what extent accounting standards contribute to the decision usefulness of financial reporting information. Prior empirical studies investigating the influence US GAAP and IFRS have on the quality of financial reports show positive, insignificant and negative differential effects (Barth et al., 2008; Van der Meulen et al., 2006; Bartov et al., 2005; Psaros & Trotman, 2004; Amir et al., 1993; Ashbaugh and Olsson, 2002). Barth et al. (2006), for instance, find that US firms reveal higher accounting quality than IAS firms,

whereas Leuz (2003) demonstrates insignificant differences in bid-ask spread between IAS and US firms

The link between financial reporting quality and financial business performance has been critically analysed and researched. Prior studies in these issues provide evidence that the quality of financial reporting is positively associated with the financial performance measures such as ROI, growth rate volume of investment, earning per share (Bolo and Hassani 2007, Klai and Omri, 2011). However, the contemporary literatures show conflicting findings (Daw and Teru, 2015). Furthermore, the choosing performance measures are still a major argumentative issue. Performance measurement system plays an important role in developing strategy, evaluating the achievement of organizational objectives and competitive advantages. Yet many stakeholders feel traditional financially oriented measures no longer work adequately. A recent survey of US financial services companies found most were not happy with their measurement systems (Hope et al., 2013, Ghosh and Wu 2012). They believed there was too much emphasis on financial measures such as earnings and accounting returns and little emphasis on drivers of value such as customer and employee satisfaction, innovation and quality. Inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of “intangible assets” and “intellectual capital” to “balanced scored cards” of integrated financial and non-financial measures (Abdallah and Alnamri, 2015). Furthermore, several authors (Ghosh and Wu 2012) indicated that although financial measures are important, they are not sufficient for a good performance evaluation system. The system should further include non-financial measures of performance. Kelly (2007) justifies this by indicating that firm value is developed through various activities that promote critical success factors. These factors include innovation, quality, productivity and customer satisfaction.

The consistent noncompliance with the reporting requirements of the Financial Administration Laws since 2006 to 2012 as evidenced by the Auditor General's annual reports on all public accounts for this period is disturbing trend as it implies compromises on the requirements of accountability for public funds.

This is particularly worrying against the background of findings of corrupt practices by the Auditor General relating a number of public institutions of which Ghana Education Service is of no exception.

The Auditor General reports, on consolidated fund for 2011 revealed that the state lost about Two Hundred and Eighteen Million Ghana Cedis (GH¢218.000, 000) in wrongful payment of Judgement debt. The 2012 report of the Auditor General on the Consolidated Fund revealed similar that the state, lost Three Hundred and Forty-Seven Million Ghana Cedis (GH¢347,000.000) as a result of inefficient treasury management. The story is similar with MDAS. The Auditor General reports, for example in 2012 stated that breaches of the Financial Administration Act and its consequential Regulations by MMDAS led to the loss, of about Three Hundred and Sixty-Four Million Ghana Cedis (364,000.000) in aggregate (Auditor General Report 2012)

Discussions on the adoption of IPSAS by the government of Ghana have been on-going since 2007. Ghana was listed in September 2007 as one of the countries that has adopted cash basis IPSAS and was in the process of transitioning to accrual basis IPSAS by the International Public Sector Accounting Standards Board (IPSASB) (IPSASB 2007). This listing came as a result of the indications made by the Controller and Accountant General Department (CAGD) Republic of Ghana and the Institute of Chartered Accountants, Ghana (ICAG) during the first meeting of the IPSASB in Sub-Saharan Africa held in Accra Ghana.

On January 27, 2007 the Government of Ghana showed the intentions to adopt IPSAS and the subsequent announcements made by the CAGD and ICAG at a sensitization forum on IPSAS organised by price Water Coopers, Ghana a firm of Chartered Accountants of Ghana's adoption of IPSAS. Eleven years on these are still ongoing discussions led by CAGD and facilitated by ICAG about the IPSAS adoption in Ghana.

1.3 Research Objectives.

The main objective of the study is to evaluate the Ghana integrated financial management information system (GIFMIS) of financial reporting quality of Ghana education service. Specifically, the study seeks to:

1. Examine the extent to which GIFMIS addresses the challenges faced by Ghana Education Service?
2. Ascertain the key factors that ensure the successful and quality implementation of GIFMIS in the case of Ghana Education Service.
3. Determine the challenges that confront the implementation of GIFMIS Ghana Education Service

1.4 Significance of the Study

The study provides an assessment of the Financial Reporting Quality of Ghana Education Service (GES) as well as the level of IPSAS compliance as far as reporting on public funds in Ghana Education Service is concerned. The study is therefore useful to PFM practitioners, development partners, interested in supporting accounting reforms in the public sector and public financial management researchers. This will help to assess the success or otherwise of accounting reforms in Ghana particularly Ghana Education Service. Findings from the study will stimulate debate and trigger sense of urgency in the process of implementing accounting

reforms in the public sector of Ghana for the purpose of entrenching and deepening accountability and transparency over public funds thereby reduce the incidence of corruption.

1.5 Organization of the Study

The study is organised into five chapters. Chapter one consists of introduction and background of the study, statement of the problem, objectives, significant of the study. Chapter two reviews relevant literature: Review of theoretical literature, Review of empirical literature and hypothesis development, Chapter three discusses research Methodology, Research Approach, Data Source, Chapter four presents the Results and analysis Chapter five provides the conclusion and policy implications.

CHAPTER TWO

LITERATURE REVIEW

1.0 Introduction:

This chapter provides a review of relevant theoretical and empirical literature on financial reporting quality of Ghana Education Service. It begins with the review of theoretical literature, review of empirical literature and hypothesis, relevant sections of the financial administration laws, Overview of measurement methods to assess the quality of financial reporting, Measurement of the quality of financial reporting in terms of the qualitative characteristics, Measurement of the quality of financial reporting in terms of the qualitative characteristics and IPSAS and IPSAS adoption

2.1 Theoretical Literature:

Governments and development partners usually prioritise the passage and implementation of public financial management laws as a tool for improving the quality and cost efficiency of public spending (OECD 2004). In recent history fiscal responsibility legislations for governments have strongly emerged as cornerstone of PFM reforms especially by governments pass PFM laws with alacrity but do very little with respect to implementation. Apart from passage of PFM Laws, reporting entities around the World including Governments and other public sector organizations adopt financial reporting standards to guide the preparation of their financial statements. Some organizations apply reporting standards developed by national standard setters (Eptstein 2009) and other adopt reporting standards developed by international standards setting bodies (Booth and cocks 1990). This paper now focuses on the discussion of reporting requirements of the PFM laws of Ghana with Ghana Education Service in mind.

Previous literature emphasizes that the accurate and qualified financial report is considered an effective tool for conducting financial analysis, feasibility analysis and interpretation. For example, Kaliski (2001) clarifies that the good financial report stresses on financial elements and exchanged relations among them, so that the user can easily conduct comparison among them and then make appropriate decisions. It also highlights at the company past and current financial performance, so that the user can make predictions about the needed future financial performance of the company. Many studies have conducted to study and examine the extent of financial reporting quality, its dimensions and effecting variables (Botosan, 2004; Daske and Gebhardt, 2006). Other studies such as Biddle et al. (2009), Jennifer Martinez-Ferrero, 2014 focus on studying the effect and exchanged relationships between the quality of financial reporting and other affecting variables such as fraud, profit manipulation, earnings, internal audit and control and corporate governance.

Financial reporting is a process of reporting financial activities of business on a formal way. It has been considered as an essential resource for any market participant. It also reduces the mystery and the conflict in opinion between all interested users such as managers, investors' regulatory agencies, society and other stakeholders. Every one participates in this process, even each operation related to this process should be submitted carefully, especially the disclosure process, all transactions, the accounting policies and all judgments and opinions made by the staff involved in this process (Gaynor et al., 2016). Explaining variation in firm performance is the central focus of much of the strategy literature. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. For example, Garcia-Lara et al. (2010), Ahmed and Duellmand (2011), Gunny (2005) find that there is a positive effect for the quality of financial reporting on the overall higher performance of the company.

Due to the fact that quality of financial report guarantees and enforces an institution present good and accurate information, which in turn reduces the mystery and the conflict in information provided for both shareholders and stakeholders and other market participants interested in this report. The integrity and reliability of data produced by organizational information systems are critical, not just for the production of reliable financial reports, but also for overall business success (Krishnana et al. 2005). The important attributes for effective financial management include access to relevant information; use of that information to enhance management standards; and assurance that the information systems maintain and produce the data (e.g. financial statements containing information about accounts and their balances) used by organizations to plan, evaluate and diagnose operations and financial position (Peters and Hilla, 2015), therefore, the aim of the regulators should be to make a system (accounting) that offers maximal benefits at lowest possible costs.

Other benefits of having high-quality information from financial reporting are mentioned in Lambert et al. (2007). He clarifies that the high-quality information guarantees the reduction of information risk and liquidity. Other opinions are mentioned in Chen et al. (2011): It reduces the managers authority and power in making decisions for their own interests and guides them to make appropriate and efficient investment decisions. Rajgopal and Venkatachalam (2011) add that the high-quality financial reporting reduces the lack of equivalence and the asymmetric information that arises from conflicting agency. It also helps market agents to get full understanding about all company operations and activities by reducing the ambiguity that surround some events (Jo and Kim, 2007). Lambert et al. (2007) mention that quality of accounting information has critical effects on market participants' perceptions about the distribution and decisions related to the company future cash flow. On the other hand, Chen et al. (2011) find both banks and government can get benefits of having the high-quality financial reporting, because it has a positive effect on private firms investment efficiency and financial performance, which in turn increases tax payment and

lending from banks. Garrett et al. (2012) state that (FRQ) gets its importance from the fact that it helps in reducing information risk and enhancing liquidity. On the other hand, Lambert et al. (2007) stress that FQR-provides the users with information and financial statements, which are fundamental in debt contracting (Costello and Wittenberg-Moerman, 2011). FRQ has many indicators that users could depend on to judge the quality of financial information and the financial statements as a whole and not just as earnings. Some of the most important indicators are- SEC Accounting and Auditing Enforcement Releases indicator (AAERs); Restatements indicator; and internal controls indicator (Francis et al., 2005). Previous studies also examined the importance of assessing (FRQ).

Dechow et al. (2010), for example, mentioned that there are three variables used for assessing the (FRQ): Properties of earnings, earnings response coefficients and external indicators of FRQ. He states that “higher earnings quality shows the features of the firm’s earnings process that are relevant to a specific decision made by a specific decision-maker”. However, the most employed proxies of (FRQ) in literature are: (i) Earnings quality; (ii) Accounting conservatism; and (iii) Accruals quality. Ball et al. (2000) add another assessment tool for measuring (FRQ) through identifying degrees of accounting conservatism, which implies a more timely incorporation of economic losses into accounting earnings than economic gains. Earning quality has many determinants, which differ from one company to another, the most important and common determinants are financial reporting practices, governance and controls, auditors, capital market incentives, external factors and the level of institutional factors for the country that the company operates on it. Nedal et al. (2010) investigate the relationship between earnings management and ownership structure for a sample of Jordanian industrial firms during the period 2001-2005. Earnings management is measured by discretionary accruals. The three types of ownership studied are insiders, institutions and block-holders. Using the Generalised Method of Moment (GMM), the results indicate that insiders’ ownership is significant and positively affect earnings of management.

2.2 Review of empirical Literature and Hypothesis Development

This chapter reviews empirical literature in line with the objectives and further tease out hypothesis.

2.2.1 Quality of Financial Reporting.

In fact, the link between financial Reporting quality and financial business performance has been critically analysed and researched. Prior studies in these issues provide evidence that the quality of financial Reporting is positively associated with the financial performance measures such as ROI, growth rate volume of investment, earning per share (Bolo and Hassani2007, Klai and Omri, 2011). Nevertheless, contemporary literatures show conflicting findings (Daw and Teru, 2015). Furthermore, the choosing performance measures are still a major argumentative issue. Performance measurement system plays an important role in developing strategy, evaluating the achievement of organisational objectives and competitive advantages. Yet many stakeholders feel traditional financial oriented measures no longer work adequately. A recent survey of US financial services companies found most were not happy with their measurement systems (Hope et al, 2013, Ghosh and Wu.2012). They believed there was too much emphasis on financial measures such as earnings and accounting returns and little emphasis on drivers of value such as customer and employee satisfaction, innovation and quality. Inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of “intangible assets” and “intellectual capital” to balance scorecards” of integrated financial and non-financial measures (Abdallah and Alnamri, 2015). Furthermore, several authors (ghosh and Wu,2012) indicated that although financial measures are important, they are not sufficient for a good performance evacuation system. The system should further include non- financial measures of performance Kelly (2007) justifies this by indicating that firm value is developed through

various activities that promote critical success factors. These include innovation, quality, productivity and customer satisfaction.

Unlike traditional financial performance measure, the question is still open whether the quality of financial reporting leads to systematic improvements in non- financial business performance business or not. This study, therefore, has come to test empirically the proposed relationship between the quality of financial reporting and the non-financial business performance in a systematic approach and to find out whether business organisational demographic characteristics (type, size and experience) would have any impact on the quality of financial reporting. In addition, this study aims to overcome the above limitations of the previous studies and to improve the understandings of the importance of the quality of financial reporting in new environmental context since the majority of previous studies were conducted in western countries. This study will be conducted among Jordanian shareholding companies, since many researchers indicate that within organisations, attention must be given to the accounting standards and laws of each country because they affect accounting management (Davila et al,2014; Romney and Steainbart,2017).

Study by Seyed (2014) on 93 firms in Tehran Stock Exchange showed that a financial reporting quality had a significant positive correlation with the investment efficiency. Furthermore it was found that there was a direct link between firm size and growth opportunities with investment efficiency. Also it was found out that there was no correlation between cash holdings and tangibility of assets with investment efficiency.

Umobong (2015) also examined the impact of IFRS on market performance of food and beverages manufacturing firms in Nigeria. Earnings per share, price earnings ratio and dividend yield were selected as performance criterion. Data were collected and dividend into pre IFRS and post IFRS-Comparative analysis and T test was done to ascertain influence of pre IFRS and post IFRS adoption on market performance of the firms. Findings indicate that

differences on market performance between pre and post IFRS periods are not significant suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria Stock Exchange.

Regulation 189 of the Financial Administration Regulations 2004 (L.I.1802) additionally require heads of departments to transmit to the C&AG monthly revenue and expenditure statements which shall include: a statement of expenditure against warrants for the month, non-tax revenue collected and paid into the consolidated fund, revenue and expenditure of retained Internally Generated Fund. It is yet to be investigated whether or not the reporting requirements of the Financial Administration Act and its consequential Regulations are being complied with over the years. This study assesses whether or not these reporting requirements are being met by the reporting entities in the public sector of Ghana with specific focus on Ghana Education Service. International Public Sector Accounting Standards (IPSAS), According to IFAC (2009) IPSAS are high quality global financial reporting standards for use by public sector entities around the World, and are meant to serve the public interest by requiring the presentation and disclosure of financial transactions in a comprehensive and consistent fashion to promote transparency and accountable management of public resources.

Miiller-Marques Berger and Ernest & Young (2012. Pg.7) explain that IPSAS regulate “The recognition, measurement, presentation and disclosure requirements in relation to transactions and events in general purpose financial statement”.

2.2.2 Measurement Methods to Assess the Quality of Financial Reporting

In 2002, the IASB and the FASB showed their commitment towards developing a common set of high-quality accounting standards, which could be used worldwide. As a consequence of the joint project to converge the more principles-based IFRS and the more rules-based US GAAP, both boards agreed to develop new joint Conceptual Framework, which includes the

objectives of financial reporting and the underlying qualitative characteristics on which accounting standards ought to be based. In May 2008, the FASB and the IASB therefore published an exposure draft of ‘An improved Conceptual Framework for Financial Reporting’ (ED) (IASB, 2008; FASB, 2008). This Conceptual Framework represents the foundations of the accounting standards. “The application of objectives and qualitative characteristics should lead to high-quality accounting standards, which in turn should lead to high-quality financial reporting information that is useful for decision making” (FASB, 1999; IASB, 2008). Furthermore, the conceptual framework ought to contribute to decision making of constituents, when transactions or events occur for which no accounting standards are available (yet). According to the ED, providing decision-useful information is the primary objective of financial reporting. Decision-useful information is defined as “information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers” (IASB, 2008: 12). In line with the ED and recent literature, we define financial reporting quality in terms of decision usefulness (e.g. Beuselinck & Manigart, 2007; Jonas & Blanchet, 2000; McDaniel et al., 2002).

2.2.3 Measurement of the Quality of Financial Reporting in terms of the Qualitative Characteristics

Operationalization of the qualitative characteristics

To construct a measurement tool, we use prior literature which defines financial reporting quality in terms of the fundamental and enhancing qualitative characteristics underlying decision usefulness as defined in the ED (IASB, 2008). The fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial reporting information. The enhancing qualitative characteristics (i.e. understand ability, comparability, verifiability and timeliness) can improve decision

usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own (IASB, 2008).

Except for timeliness, each of the qualitative characteristics in the ED is measured using the multiple items that refer to the sub notions of the qualitative characteristics. To assure the internal validity of these items, the quality measures are based on prior empirical literature. We are a five point rating scales to assess the scores on the items. Appendix A provides an overview of the 21 measured items used to operationalize the fundamental and enhancing qualitative characteristic. This appendix also includes the measurement scales used to assess the value of the distinct items. Subsequently, we compute a standardized outcome for the qualitative characteristic relevance, faithful representation, understand ability and comparability by adding the scores on the related items and dividing by the total number of items.

Relevance

Relevance is referred to as the capability “of making a difference in the decisions made by users in their capacity as capital providers” (IASB, 2008: 35). Drawing on prior literature, relevance is operationalized using four items referring to predictive and confirmatory value. As discussed earlier, researchers tend to focus on earnings quality instead of on financial reporting quality. This definition is limited in scope because it neglects non-financial information and it excludes ‘future’ financial information already available to the users of the annual report, for example on future transactions (Jonas & Blanchet, 2000; Nichols & Wahlen, 2004). In order to improve the comprehensiveness of the quality assessing measurement tool, this study will consider a broader perspective on predictive value including both financial and non-financial information.

Studies have operationalized predictive value as the ability of past earnings predict future earnings (e.g. Francis et al., 2004; Lipe, 1990; Schipper & generate future cash flows:

“information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future” (IASB, 2008: 36). We consider predictive value as most important indicator of relevance in terms of decision usefulness and measure predictive value using three items. The first item measures the extent to which annual reports provide forward-looking statements. The forward-looking statement usually describes management’s expectations for future years of the company. For capital providers and other users of the annual report this information is relevant since management has access to private information to produce a forecast that is not available to other stakeholders (Bartov & Mohanram, 2004) (R1)

The second item measure to what extent the annual reports discloses information in terms of business opportunities and risks. Jonas and Balnchet (2000) refer to the complementation of financial information by non-financial information, when referring to predictive value, and the knowledge that can be obtained of business opportunities and risks, since it provides insight into possible future scenarios for the company (R2).

The third item measures company’s use of fair value. Prior literature usually refers to the use of fair value versus historical cost when discussing the predictive value of financial reporting information (e.g. Barth et al., 2001; Hirst et al., 2004; McDaniel et al. 2002; Schipper & Vincent, 2003; Schipper, 2003). It is often claimed that fair value accounting provides more relevant information than historical cost because it represents the current value of assets, instead of the purchase price (inter alia Maines & Wahlen, 2006; Schipper & Vincent, 2003). In addition, both the FASB and IASB are currently considering new standards to allow more fair value accounting to increase the relevance of financial reporting information, since they consider fair value as one of most important methods to increase relevance (Barth et al., 2001) (R3)

In addition to predictive value, confirmatory value contributes to the relevance of financial reporting information. Information has confirmatory value “if it confirms or changes past (or present) expectations based on previous evaluations” (IASB, 2008: 36). Jonas and Blanchet (2000) argue that if the information in the annual report provides feedback to the users of the annual report about previous transactions or events, this will help them to confirm or change their expectations (R4). Especially the financial statements and the ‘Management, Discussion & Analysis’ (MD&A section of the annual report will be reviewed in order to gain insight into the confirmatory value of the information. These sections generally provide information with confirmatory value (Jonas & Blanchet, 2000).

Faithful representation

Faithful representation is the second fundamental qualitative characteristic as elaborated in the ED. To faithfully represent economic phenomena that information purports to represent, annual reports must be complete, neutral, and free from material error (IASB, 2008: 36). Economic phenomena represented in the annual report are “economic resources and obligations and the transactions and other events and circumstances that change them” (IASB, 2006: 48). Consistent with prior literature, faithful representation is measured using five items referring to neutrality, completeness, freedom from material error, and verifiability (Dechow et al., 1996; McMullen, 1996; Beasley, 1996; Rezaee, 2003; Cohen et al., 2004; Sloan, 2001; Jonas & Blanchet, 2000; Maines & Wahlen, 2006; Gaeremynck & Willekens, 2003; Kim et al., 2007; Willekens, 2008).

Botosan (2004) argues that it is difficult to measure faithful representation directly by only assessing the annual report, since information about the actual economic phenomenon is necessary to assure faithful representation. According to Maines and Wahlen (2006), however, estimates and assumptions that closely correspond to the underlying economic constructs the standards pursue can enhance faithful representation. Therefore, we focus on

items in the annual report that increase the probability of faithfully represented information. These items do not always directly refer to the US GAAP or IFRS, yet they provide an indirect proxy of faithful representation of financial reporting information prepared in accordance with certain accounting standards.

The first proxy refers to the issue ‘free from bias’. An annual report can never be completely free from bias, since economic phenomena presented in annual reports are frequently measured under condition of uncertainty. Many estimates and assumptions are included in the annual report. Although complete lack of bias cannot be achieved, a certain level of accuracy is necessary for financial reporting information to be decision useful (IASB, 2008). Therefore, it is important to examine the argumentation provided for the different estimates and assumptions made in the annual report (Jonas & Blanchet, 2000). If valid arguments are provided for the assumptions and estimates made, they are likely to represent the economic phenomena without bias (F1).

In addition, valid and well-grounded arguments provided for the accounting principles used increase the likelihood that preparers fully understand the measurement method. This will reduce the possibility of unintentional material errors in their financial report (Jonas & Blanchet, 2000; Maines & Wahlen; 2006). Moreover, when the selected accounting principles are clearly described and well-founded. It increases the probability to reach consensus and to detect misstatements for the user of the financial report as well as for the auditor (F2).

The sub notion of faithful representation, neutrality, is defined as “the absence of bias intended to attain a predetermined result or to induce a particular behaviour. Neutral information does not colour the image it communicates to influence behaviour in a particular direction” (IASB, 2008: 37). As Jonas and Blanchet (2000: 362) state: “neutrality is about objectivity and balance”. Neutrality refers to the intent of the preparer; the preparer should

strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events (F3).

The fourth construct to measure faithful representation refers to the unqualified auditor's report. Various researchers examined the impact of an audit and the auditors' report on the economic value of the firm (e.g. Gaeremynck & Willekens, 2003; Kim et al., 2007; Willekens, 2008). These researchers concluded that the auditors' report adds value to financial reporting information by providing reasonable assurance about the degree to which the annual report represents economic phenomena faithfully. Maines and Wahlen (2006) even argue that an unqualified audit or faithfully represented (F4).

Finally, an increasingly important consideration in the annual report related to faithful representation is the corporate governance statement. Corporate governance can be defined as the mechanisms by which a business enterprise, organised in a limited liability corporate form, is directed and controlled. Several researchers examine the association between financial reporting quality and corporate governance and internal control, earnings manipulations and fraud, and find that poor governance and internal controls reduce the quality of financial reporting (e.g. Dechow et al., 1996; McMullen, 1996; Beasley, 1996; Rezaee, 2003). Apparently, corporate governance information adds value to capital providers. More specifically, corporate governance information increases the probability of faithfully represented information (Sloan, 2001; Holland, 1999) (F5).

Understandability

The first enhancing qualitative characteristic, understand ability, will increase when information is classified, characterized, and presented clearly and concisely. Understand ability is referred to, when the quality of information enables users to comprehend their meaning (IASB, 2008). Understand ability is measured using five items that emphasize the

transparency and clearness of the information presented in annual reports (Jonas & Blanchet, 2000; Iu & Clowes, 2004; Courtis, 2005; IASB, 2006).

First, classified and characterized information refers to how well-organized the information in the annual report is presented. If the annual report is well-organized it is easier to understand where to search for specific information (Jonas & Blanchet, 2000) (U1). Furthermore, disclosure information, and in particular the notes to the balance sheet and income statement, may be valuable in terms of explaining and providing more insight into earning figures (Beretta & Bozzolan, 2004). Especially narrative explanation help to increase the understand ability of information (IASB, 2006; Iu & Clowes, 2004) (U2).

Additionally, the presence of tabular or graphic formats may improve understand ability by clarifying relationships and ensuring conciseness (IASB, 2006; Jonas & Blanchet, 2000) (U3). Moreover, if the preparer of the annual report combines words and sentences that are easy to understand, the reader will be more likely to understand the content as well (Courtis, 2005). If technical jargon is unavoidable, for instance industry related jargon, an explanation in a glossary may increase the understand ability of the information (U4, U5).

Comparability

A second enhancing qualitative characteristic is comparability, which “is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena” (IASB, 2008: 39). In other words, similar situations should be presented the same, while different situations should be presented differently. Comparability is measured using six items that focus on consistency. Four items refer to the consistency in use of the same accounting policies and procedures from period to period within a company (Jonas & Blanchet, 2000; Vincent & Schipper, 2003; Beuselinck & Manigart, 2007; Cole et al., 2007). Two items are used to measure the comparability in a single period across

companies (Cleary, 1999; Jonas & Blanchet, 2000; Cole et al., 2007; Beuselick & Manigart, 2007; IASB 2008).

Comparability includes consistency. “Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities” (IASB, 2008: 39). According to the ED, companies should strive for comparability by means of consistency. Jonas and Blanchet (2000) operationalize consistency by referring to coping with change and uncertainty. New information, rules or regulation generally cause companies to change their estimates, judgements, and accounting policies. For instance, if new information is available which encourage a revision of the expected lifetime of a certain asset, this may result in a change of estimate. In addition, many Eu-listed companies changed from local GAAP to IFRS in 2005, as a result of new rules and legislation. In terms of consistency it is important that these companies explain how these changes affect previous results (C1, C2). The comparability of earnings figures is important in the evaluation of the firm’s performance over time (IASB, 2006; Cole et al., 2007). If a company changes its estimates, judgements, or accounting policies it may adjust previous years’ earnings figures in order to visualize the impact of the change on previous results (C3).

Additionally, since consistency refers to using the same accounting procedures every year, this year’s figures should be comparable to previous years’ figures (IASB, 2008). When a company provides an overview in which they compare the results of different years, even when no changes in estimates, judgements, or accounting policies occurred, this will improve the comparability of financial reporting information (C4).

Comparability not only refers to the consistency of the use of accounting procedures by a single company, it also refers to comparability between different companies (IASB, 2008). When assessing the comparability of annual reports of different companies, the accounting policies used, the structure of the annual report, and the explanation of transactions and other

events are of special importance (Jonas & Blanchet, 2000) (C5). In addition, ratios and index numbers can be useful when comparing companies' performance (C6).

Timeliness

The final enhancing qualitative characteristic defined in the ED is timeliness. "Timeliness means having information available to decision makers before it loses its capacity to influence decisions" (IASB, 2008: 40). Timeliness refers to the time it takes to reveal the information and is related to decision usefulness in general (IASB, 2008). When examining the quality of information in annual reports, timeliness is measured using the natural logarithm of amount of days between year end and the signature on the auditors' report after year end is calculated. Based on the natural logarithm of this amount of days, each company received a score between 1 and 5.

2.3 IPSAS and IPSAS adoption

Many governments have adopted the IPSAS developed by IPSASB (Chan 2003, Monfarclini 2010) IPSASB (2008) listed about sixty-seven (67) governments that have adopted, are in the process of adopting, or have intentions to adopt IPSAS. The list includes Ghana as having adopted cash Basis IPSAS and transitioning to Accrual Basis IPSAS. In the list of 67 governments, only, five: Australia, Canada, New Zealand, United Kingdom and the United States of America are said to apply full accrual standards that are broadly consistent with IPSAS (IPSASB 2008)

Financial Statements that comply with IPSAS enhance public accountability. Anderson (2009) and Torres ((2004) demonstrated that IPSAS compliant financial statements improve transparency and accountability. According to Chan (2003. Pg.16) "the most significant development in government accounting in recent history is the development of "IPSAS" which he argued, has brought significant benefits by way of improving the financial reporting

systems of governments, raising the prestige of government accountants and facilitating the mobility of private sector accountants into government sectors. Chan (2003) and Tickell (2010) reported that the call for increased accountability has led many governments and NGO's around the World to adopt IPSAS. A few developed countries such as Australia, Canada, New Zealand Sweden and the United Kingdom are leaders in the implementation of accrual basis. IPSAS which require the presentation of a comprehensive set of financial statements based on principles of accrual accounting (Pins Vicente and Torres, 2003). Accrual basis accounting recognizes and records transactions and events when they occurs rather than when cash is received or paid (IFAC 2000). Revenue is recognized and recorded when earned while expenditure is recognized and recorded when incurred, usually at the time goods and services are received or paid (TIKK 2010). It measures financial performance for a period as the difference between cash received and cash paid. Chan (2003) asserts that accounting policies of governments that have not yet adopted IPSAS are significantly influenced by IPSAS.

Some scholars have argued that the implementation of IPSAS is a challenging project (Lapsley, Mussari, and Pauisson 2009), Tickell (2010) in supporting this position noted that the successful implementation of accrual basis IPSAS is predicated on factors such as level of skills of available accounting personnel, rate of labour turnover, and the level of investment in technological and capital equipment in public in public sector organizations. He therefore advised that governments and institutions with different levels of endowments in these resources must approach IPSAS implementation differently to ensure success. Michael and Bates (2003) suggested that there is the need for public scouting of government financial management programs and a critical need for grassroots participation in the development of standards in order to ensure successful adoption of standards. It may therefore be concluded that to successfully implement IPSAS, governments must develop a framework for implementation and invest in the building capacity among the personnel that will be

responsible for implementation. Government must as well build strong, institutions and systems to facilitate the process of implementation.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with methodology used for the study. It covers the research design, data source, sample and population, methods of data collection, sample procedure and data analysis.

3.1 Research Design

The research design is the overall strategy through which the different components of the study will be integrated in a coherent and logical manner thereby ensuring that the research problem will be effectively addressed. The three main types of research are Descriptive Research, Explanatory Research and Exploratory Research. There are also three main research methods used in carrying out a study. These are qualitative, quantitative and mixed research methods. The study also adopts qualitative method of document analysis because it is a systematic procedure for reviewing or evaluating documents both printed and electronic. Document analysis is also suited for examining past events to give accounts of what has happened in the past. Moreover, documents may be the most effective means of gathering data when events can no longer be observed or when informants have forgotten the details.

3.2 Data Source and Sample Size

3.2.1 Data Sources

Primary and Secondary data was collected for the purpose of this study. Primary data was collected using unstructured interview guide. The study also uses data from the audited accounts of Auditor General of the Republic of Ghana from 2006 to 2012. The data was

extracted from the audited annual financial statements of some selected institutions under Ghana Education Service over the study period.

3.2.2 Interview Guide

This instrument was used for the collection data by first booking an appointment with the respondents due to their busy schedules. A face-to-face interview was adopted for a period not exceeding fifteen minutes using the interview guide (constituting unstructured interviews). The researcher used a recorder and later transcribed the interviews into writing.

3.2.3 Interview Schedule

Interviews involve an interviewer asking one or more interviewees a set of questions which may be highly unstructured. Interviews are usually synchronous and are often face-to-face, but they do not have to be. The interviews were conducted with the respondents to get their views on the subject matter under consideration. The researcher used an interview guide consisting element of both structured and unstructured interviews for the all respondents selected for the study.

3.2.3 Target Population and Sample Size

The sample for this study is selected from a total of 10 institutions and offices under Ghana Education Service in the previous ten administrative divisions. They include 5 five Senior High Schools, 5 five District/Municipal/Metropolitan Education Offices and Regional Education offices.

The sample covers institutions that have existed and operated for more than 2years and whose accounts are subject to mandatory statutory audit by the Ghana Audit Service. Private schools, relatively young public schools and other institutions whose accounts are not subject to mandatory statutory audit by the Ghana Audit Service were excluded from the study.

Furthermore, all Regional Educational Units were excluded from the study due to unavailable data.

3.2.4 Data Collection Method

Data will be collected from two sources: primary data and secondary data. For the primary data, interview guide was designed to solicit information from the following persons: Financial Controller, Chief Accountant, and Chief Internal Auditor, a headmaster a teacher and a Secretary currently working at the GES Headquarters. Secondary data was extracted from the audited accounts of Auditor General of the Republic of Ghana.

3.3 Ethical Issues Considered

The ethical issues in this research are substantial. The research has been requested by a tertiary institution as part of my partial fulfilment of my Master of Science (Accounting & Finance) degree. The research, when completed, will go to shape the work of other research works done on financial reporting quality in general and it will also go to improve the experiences and decision making of the Ghana Education Council and other public institutions in Ghana and other countries within the sub region. As this is the case, the case study must be properly and thoroughly conducted. It must be well designed. The findings of the research, the conclusions drawn from the research the final product of the research must be meaningful and useful.

There are ethical responsibilities in the conduct of this research to the populations of the research: the population of senior managers involved in the study. The participants in the research must be dealt with in a professional manner. Their contribution to the research will be acknowledged. They were made aware of the fact that their participation will make a substantial contribution to their outfit and the industry in the sub region. The participants

were made fully aware of the extent of the participation in the research required of them before they agree to participate.

The individual identities of participants in the research will remain anonymous. The data gathered for the research will be held safely and securely. The names of the participants and their locations will also remain anonymous and only the researcher and his supervisor will have access to the information.

3.4 Data Analysis

This section describes how data was analyzed in the research work. It outlines the various approaches of analyzing data and the main approach used in the study. The approaches include descriptive, in-depth method and thematic analysis (Bricki & Green, 2007). The approach used in this research study is thematic analysis.

3.5.1 Thematic analysis

Thematic analysis as discussed by Bricki & Green (2007) is an analysis that aims at summarizing issues and identifying those that recur. It is commonest method for descriptive qualitative research. According to Braun and Clarke (2006), thematic analysis starts with familiarizing one's self with the data, generating initial codes, reviewing themes, defining and naming themes and producing the report on the findings. Reading the notes or transcribed data is a good in the analytic process (Schutt, 2014) however one must code the data (Bricki & Green, 2007). According to (Farber, 2006), coding involves sifting through data to identify the themes that reflect concepts. Coding is not a one-time procedure. The data was collaboratively coded by the researcher with the help of his supervisor.

The themes emerged from literature, publicly available documents and mainly, a constant interaction with the data. The interactions revealed insights and relationships which were very beneficial in arriving at the themes (Hancock et al., 2007). The themes did not emerge

from the initial interaction with the data but continuous reflection revealed some insights and ideas (Auriacombe & Mouton, 2007).

The themes were chosen after the findings have been confirmed through a process of triangulation (Bricki & Green, 2007). Data triangulation involves using different data resources instead of relying on a single resource (Bitsch, 2005) and comparing the sources (Bricki & Green, 2007).

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter provides presentation, discussion and analysis of data collected from the field by giving detailed information on the findings of the study and detailed discussions on the responses obtained from the questions posed to the interviewees as well as the analysis of the findings.

The study examined the compliance of the financial statements of Ghana Education Service with the requirements of the Public Financial Management Laws of Ghana and whether or not the financial statements of Ghana Education Service are prepared in accordance with IPSAS. The analysis and discussions draw essentially from the specified research objectives and related questions in the study. The chapter commences with a background description of respondents. Subsequent to this, the study proceeds to present, analyze, and discuss the findings of the study.

4.1 Background of Respondents

Adopting the purposive sampling technique, a sample size of five (5) interviewees comprising of Financial Controller GES, Chief Accountant GES, Chief Internal Auditor, a Headmaster and a Secretary working at the GES Headquarters were chosen for the interview. They were considered to be well placed to provide the needed information for the study, considering their strategic job positions and in-depth knowledge of the Ghana Education Service.

4.2 Weaknesses That Characterized BPEMS of GES

One of the objectives of the study was to examine the compliance of the financial statements of Ghana Education Service with the requirements of the Public Financial Management Laws of Ghana. This research aim was addressed by drawing on the responses of key users of GIFMIS interviewed. Most respondents share the view that BPEMS was similar to GIFMIS but GIFMIS is an upgraded version of BPEMS. This vignette from a respondent reaffirm this claim: “GIFMIS is not a new system. It is an improvement over BPEMS. The business processes are the same. The difference relates to their implementation strategy and nature of software used” and the fact that GIFMIS is an improvement over BPEMS. However, the factors that propelled the introduction and subsequent adoption of GIFMIS according to respondents were its weak expenditure monitoring and budgetary control, its lack of proper accounting and monitoring system, lack of quality and reliable data on government resources, lack of transparency, and poor information sharing. A respondent remarked that

“BPEMS did not fully make provisions for budgetary controls and expenditure controls and the system provided fertile ground for corruptible acts. This rationale informed GIFMIS”.

Another respondent echoed that

“BPEMS had limited potential to foster information sharing among actors in the public financial management arena. There was the need to revise it to address this concern and hence the introduction of GIFMIS”.

Other views echoed by respondents revealed that the weaknesses associated with the erstwhile HIFMIS were caused by several factors. In this regard, a respondent echoed that

“the failure of BPEMS could be attributed to lack of political commitment, duplication of systems, inadequate funding, and frequent changes in the implementation team”

4.3 Extent to which GIFMIS Addresses the Challenges in BPEMS to GES

An induced objective of the study was to examine the extent to which GIFMIS addresses the challenges in BPEMS that led to its termination in the management of public sector finance. In other words, the study sought to ascertain the impact of GIFMIS on the efficiency of the Ghana Education Service financial management. Views echoed by respondents on the impact of GIFMIS largely demonstrate that GIFMIS has led to transparent transaction processing, real time information for Ghana Education Service decision makers, security of public financial information and the potential of tracking and controlling expenditure commitments. Several channels through which these benefits are realized were outlined by respondent. An interviewee remarked that

*“The efficiency in payout processes is due to the Electronic Funds Transfer (EFT)”.
Another respondent similarly noted that “GIFMIS has in-built controls that leads to ease of monitoring and controlling of spending of MDAs”.*

A respondent further echoed that

“The system leaves audit trails that make for traceability of people who initiate transactions”.

Other views according to a respondent is that

“approval must be sought from MOFEP under GIFMIS before undertaking projects. This enables MOFEP to monitor and control public spending. Overall, the system ensures that funds spent are budgeted for”.

The finding of the control and monitoring abilities of GIFMIS confirms the assertion by Kiin and Ngugi (2014) that IFMIS promotes efficient financial controls and accountability. The finding of GIFMIS ability to foster information sharing among key stakeholders in the Ghana Education Service financial management such as Ministry of Education and Ministry of Finance reaffirms the contention by Diamond and Khemani (2005) that IFMIS improves processing and sharing or access to government financial transactions. Further, the finding of GIFMIS ability to monitor expenditure corroborates the assertion by Tsamenyi et al. (2006) that IFMIS allows governments to track public expenditure and thus provides the basis for controlling budget spending.

4.4 Factors That Enhance the Success and quality of Financial Report in GIFMIS' Implementation.

The study additionally sought to identify the key factors that enhance the successful implementation of GIFMIS from the perspectives of respondents. The views expressed by respondents in this regard shows that the factors enhancing GIFMIS implementation are as strong political support, high level administrative support, strong local technical team, consciousness of past experience, and donor review and technical advice. Most respondents share the view that political commitment and administrative support towards GIFMIS is now encouraging relative to the past under BPEMS though not too pronounced. Regarding the incorporation of past experience under GIFMIS, a respondent said that

“GIFMIS has been informed by the shortfalls encountered by BPEMS”

Regarding technical advice, a respondent echoed that

“the periodic review and progress on GIFMIS submitted by donor agencies like the World Bank complements the operation of GIFMIS”.

4.5 Challenges That Confront GIFMIS of Ghana Education Service

A variant objective of the study was to assess the challenges that confront the effective operation of GIFMIS. Respondents generally share the view that the challenges confronting GIFMIS are legislative inadequacies, inadequate IT infrastructure, low computer literacy in the public sector and poor change management. A respondent highlighted on the legislative constraint by asserting that

“Current legislations need amendments to facilitate the full implementation of the programme. Of vital significance is that legislations on statutory funds must be amended”

A respondent similarly highlighted on the challenge of change management by asserting that

“The introduction of GIFMIS has altered the systems of recording and accounting for public resources. Over the years, public financial management has been predominantly manual systems and procedures. The introduction of IT alters work processes and tasks. People usually do not embrace change especially if such changes significantly affect ways of doing things or if employees share a perceive job insecurity”

It appears that some public sector workers have not fully embraced the change. However, whilst there is an agreement on these factors, the study found that respondents differ in views regarding the relative degree of the challenges from the standpoint of their impact on GIFMIS.

The following vignettes corroborate the claim that respondents differ in views regarding the degree of the impact of various challenges on GIFMIS.

“I think a major constraint facing GIFMIS is the limited approach to change management. GIFMIS requires a different way of doing things but I think this has not

been the case; “The major hindrance to GIFMIS is the low level of literacy. Since the success of the program largely depends on human resource personnel, poor IT knowledge is preventing much gains to be made”; and “The absence of a comprehensive review of existing legislations is seriously affecting GIFMIS. Actions must be expedited on this to make more gains”.

The finding of a legislative challenge in the context of GIFMIS lends credence to the assertion by Touray and Salminen (2013), and Proenza (2006) that, the effective implementation of most IT related programmes is thwarted by inadequate laws and regulations in developing countries. More so, the finding of a challenge of inadequate IT infrastructure in the case of GIFMIS conforms to the assertion by Gichoya (2005) that most IT related programmes have failed to deliver their intended outcomes due to the ineffective and sometimes non-availability of effective IT infrastructure to support these programmes.

4.6 Discussion of Themes with Public Documents

The controller and Accountant General (C &AG) have not fully complied with the reporting requirements of the Public Financial Management laws and Regulations. For example whitest the law requires that the accrual basis of accounting is to be applied in the preparation of the financial statements. Throughout the period accrual basis has not been used. Although the requisite monthly and annual financial statements have consistently not matched up to the expectations of the Auditor General. The financial statements prescribed to be submitted by the law have been duly submitted but the quality of these financial statements have consistently not matched up to the expectations of the Auditor General as it is reflected in the qualified audit opinions of Auditor General. The financial statements for each of the years have been qualified as a result of irregularities or infraction of the PFM laws. For the entire period under review, the financial statements explicitly reflected this fact and intimated that a committee was set up to work towards making the financial statements IPSAS compliant. A

review of the financial statement of the Public Accounts on the Consolidated Fund 2012 shows substantial progress towards IPSAS compliance although this is yet to be fully achieved.

The Auditor General Reports on the Accounts of GES Institutions for the years 2006 to 2007 highlight the same issues of infraction of the PFM legal framework, namely; Poor cash management practices, cash irregularities tax irregularities, unauthorised payments, unavailability of adequate financial records on revenue and expenditure, lapses in procurements, and payroll procedures, and contract awarding procedures. The Auditor General reports for 2012, for instance stated that these breaches of the Financial Administration Act and its consequential Regulations led to a loss of about three hundred and sixty four million Ghana Cedis (GHC364,000,000.00) in a aggregate (Auditor General Report on MDA's 2012). The Auditor General of the Republic of Ghana concluded that in all the reports on the accounts of GES Institutions from 2006 to 2012 indicated that GES institutions are not taking effective action to address the basis problem of lack of monitoring and supervision and non-adherence to legislations due to outright designed for the established order in the conduct of public financial business. The Auditor General report on the consolidated Fund shows that for all the years from 2006 to 2012, the financial statements of GES Institutions combined are not consistent with the financial statements of the Public Accounts relating to the Consolidated Fund as can be seen in table 1 above partly because of the absence of reconciliation. Clearly GES Institutions have not complied with the reporting requirements imposed by the Financial Management laws and Regulations.

Also, the research findings clearly depicts a worrisome picture whereby not only do GES institutions fail to submit financial statements according to the law, but a greater number of the institutions and schools are repeatedly in serious breach of financial discipline year after year. Progressively however from 2006 to 20011 fewer institutions fail to submit their

financial statements. This improvement is partly due to tying up releases of funds to the submission of financial statements by the Chief Accountant GES.

Among the litany of infractions the Auditor General's Report on the accounts of GES Institutions for 2011 indicates that the breaches of the law led to misappropriation of revenue, direct disbursement from revenue without banking, laxity in revenue collection, unpresented value books unsubstantiated payments, unretired imprest, un-recovered loans and advances, payments of unearned salaries, unrecorded stores statutory tax and social security irregularities.

The controller and Accountant General recognizing the prevalence of non-compliance with the Financial Administration Laws Commissioned a research in 2010 (Auditor General Report 2010) to recommend effective ways of applying the Financial Administration Laws. The benefits of this research is yet to be seen as the infractions on the Financial Administration Laws continues unabated after 2010 as shown in the Auditor General Report on the Consolidated Fund and the Accounts of GES institutions for 2011 and 2012 above.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter of the study outlines a summary of findings, conclusions, and recommendations emanating from the study. The conclusions are done in accordance with the research objectives and related questions. The recommendations are made based on the findings made in the study. The chapter ends by providing suggestions on future research avenues.

5.1 Summary of Findings

The current research study generally sets out to account for the fall of BPEMS and the rise of GIFMIS. To achieve the general objective, specific objectives were formulated. These were stated as the determination of the weaknesses inherent in BPEMS that led to the emergence of GIFMIS, the extent to which GIFMIS addresses these weaknesses, the key factors that impact on the success of GIFMIS, and the challenges facing GIFMIS. The study began by outlining the context for which the research problem is of vital significance and clarifies on how the achievement of the research aim would be useful in theoretical and practical contexts. Subsequent to this, the study was put in a theoretical perspective by synthesizing theoretical and empirical literature related to the study. The study adopted the qualitative research approach to investigate the study. Interviews were used to generate data from 8 core users of GIFMIS. The purposive sampling technique was used to select the respondents sampled in the study. Based on the findings of the study, it was established that BPEMS was characterized by weak budget formulation, preparation, and lack of ownership, lack of proper accounting and monitoring system, and lack of quality and timely data on government resources. In addition, the study found that GIFMIS has improved upon public sector financial management by ensuring improved and easy consolidation of financial data, timely

production of public accounts, improved transparency and record keeping, improved budgetary control, efficiency in payment processes, and a host of budget execution reports. Further, the study found that key critical success factors of GIFMIS are strong political support, high level administrative support, strong local technical team, consciousness of past experience, and donor review and technical advice. Finally, legislative limitations, inadequate ICT infrastructure, low computer literacy rate in the public sector and poor change management were found as the challenges facing GIFMIS.

5.2 Conclusion

Generally, the research objective was to account for the rise of BPEMS and the emergence of GIFMIS as a reform in public sector financial management in Ghana. Specific objectives were to account for the weaknesses in BPEMS that led to the emergence of BPEMS, to examine the impact of GIFMIS on public sector financial management, to identify the factors that enhance the success of GIFMIS and to examine the challenges facing GIFMIS. This research adopted qualitative research methodology where data collection instrument is interview guide. The thematic data analysis was used. Based on the outcome of the study, it is concluded that the inherent weaknesses in BPEMS comprising weak budget formulation, preparation, and lack of ownership, lack of proper accounting and monitoring system, and lack of quality and timely data on government resources led to the emergence of GIFMIS. In addition, the study concludes that GIFMIS has positively impacted on public sector financial management in the areas of improved and easy consolidation of financial data, timely production of public accounts, improved transparency and record keeping, improved budgetary control, efficiency in payment processes, and a host of budget execution reports. Further, the study concludes that the key critical success factors of GIFMIS are strong political support, high level administrative support, strong local technical team, consciousness of past experience, and donor review and technical advice. Finally, the study

concludes that the barriers limiting effective operation of GIFMIS legislative inadequacies, inadequate ICT infrastructure, low computer literacy rate in the public sector and poor change management.

5.3 Recommendations

Based on the peculiar findings of the study, the following recommendations are made for policy and practice.

Firstly, there should be a comprehensive review of all existing public sector financial management laws to support the change agenda. That is the transition from BPEMS to GIFMIS. Secondly, Ghana Education Service should invest in ICT infrastructure by procuring adequate level of computers and related technological complements. Again, computer literacy programs should be given to public sector workers to boost their knowledge level of IT. Fourth, Ghana Education Service personnel must be retrained to acquire enough knowledge of change management in organizations to support GIFMIS. In addition, Government must demonstrate strong political support and commitment towards the operation of GIFMIS. Whilst the current level of commitment is encouraging, efforts must be made to strengthen the level of the current political commitment. Lastly, Donor reviews and technical advice must always be incorporated in the revision measures to address challenges as the program (GIFMIS) unfolds.

5.4 Suggestions for Further Research

The findings of the study are based on the perspectives of some key users of GIFMIS. Other studies can be conducted using respondents drawn from other institutions that have vested interests in GIFMIS. Such an approach will lead to a comprehensive understanding about its working and effectiveness from the perspectives of other personnel in the public sector. Cross country comparative studies can also be undertaken. Such an endeavour can lead to the

adoption of best practices and learning and improvement. The study further recommends longitudinal studies to tract the effectiveness of the efficiency of GIFMIS.

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