

**EFFECTS OF ELECTRONIC NEW GOVERNMENT ACCOUNTING SYSTEM (E-NGAS) ON ACCOUNTING, REPORTING AND FINANCIAL CONTROL OF LOCAL GOVERNMENT UNITS (LGUS) IN THE PROVINCE OF CAGAYAN**

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**ABSTRACT**

The Electronic New Government Accounting System (e-NGAS) is accounting software developed by the COA to promote correctness, reliability, completeness and timeliness in recording government transactions and to generate financial reports in accordance with Government Accounting Manual (GAM). Local Government Units (LGUs) are basic units of government which addresses problems of a more certain area, as compared to the national government. This study aimed to determine the effect of eNGAS on financial accounting, reporting and financial control of LGUs. Descriptive research method was utilized. Additionally, the study was conducted in Cagayan and the respondents were the accounting staffs of the different LGUs. Questionnaire was the primary gathering tool used which consisted of two parts. Moreover, statistical techniques such as frequency, percentage, ANOVA, and Pearson R were used in the analysis of data. Results showed that majority of the respondents came from the municipality group and first class LGUs in terms of income. Finally, the e-NGAS has extremely positive effect on the accounting and reporting, and financial control of LGUs in Cagayan using e-NGAS.

**Keywords:** Electronic New Government Accounting System, Government Accounting Manual, Local Government Units, Financial Accounting, Reporting, Financial Control

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**INTRODUCTION**

Public financial is an integral component of fiscal policy and administration in any economy because of its influence on national government operations and the grassroots. It is the fuel of every government as it is the main instrument through which government funding is ensured (Maina, 2015). And to improve management of funds and increase transparency, accounting systems are implemented. For a government to match its performance with the needs and expectations of its citizens, it should increase its fiscal depth without incurring costly recurring overheads (Gidisu, 2012). This led to the automatization of the accounting systems of the different governments around the world.

The utilization of information technology is one of the things that can affect the performance of government agencies. Information systems supported by information technology will provide great benefits for the organization if it is designed to become an effective information system (Djalil, Nadirsyah, Yahya, Jalaluddin&Ramadhanti, 2017). It can positively affect an agency's efficiency and the achievement of its objectives. Due to the recent developments in information technology, the Philippine Government is now also implementing different accounting manuals and automatization of accounting to improve the performance of the different agencies under it and to better serve its people.

Under the old accounting system, accounting entries were made manually, which includes the creation and maintenance of numerous journals and other accounting books. With so many journals and records to maintain, the manual accounting system was proven to be complex and tedious. Moreover, the generated financial reports also provided financial information, which often proved ineffectual to there who do not have a background in government accounting (Punzalan, 2009). The government, through the Commission on Audit (COA) implemented the New Government Accounting System Effects Of Electronic New Government Accounting System (e-NGAS) | 2 (NGAS), as well as the Electronic New Government Accounting System (e-NGAS) to address the problems encountered in the old and manual accounting system.

The e-NGAS is accounting software developed by the COA to promote correctness, reliability, completeness and timeliness in recording government financial transactions and to generate financial reports in accordance with the policies and procedures of the New Government Accounting System (NGAS). It has displays that are user friendly, provides accounting journal entries and has data validation to avoid duplication and redundancy. This software was started to be rolled out in October 2003.

The implementation of GAM is another milestone in the Philippines insofar as public accounting is concerned. The GAM will supersede the NGAS manual that national government agencies have been using since 2002. The GAM contains the accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS) as well as the guidelines and procedure to be adopted by the accountants, budget officers, cashiers, property officers, accountable officers and other finance personnel. It will serve as a guide in the preparation of the financial statements and other reports and the accomplishments and maintenance of various registries, records and forms. This GAM ensures uniformly, accuracy, reliability and timeliness in the preparation of the financial statements and other reports in conformity with the requirements of PPSAS and relevant accounting policies.

The shift to GAM was made in response to the adoption of an accounting system that is in conformity with the International Accounting Standards, computerization of the accounting system to generate reports that will be easy to understand by the general public, preparation at regular and routinely financial reports and the use of the generated financial reports as tools of management decision making. With the implementation of the GAM and e-NGAS, NGAs, LGUs and GOCCs are expected to improve their performance, increase the comprehensibility of their reports and simplify the accounting of their transactions. However, this would not be achieved if its employees are not knowledgeable of this system. The mastery of information technology by employees of an organization is very influential to the quality of the organization's performance (Djalil, Nadirsyah, Yahya, Jalaluddin&Ramadhanti, 2017). Thus, employees' perception and acceptance of the system is very important in the e-NGAS' implementation.

Local Government Units are one of the basic units of government which primarily addresses problems of a more certain area, as compared to the national government. With e-NGAS implementation, it is expected that correctness of recording and accuracy of amounts reported will be achieved leading to better management of finances of LGUs. With better management of finances, LGUs can serve better its people with better projects and programs. But as to e-NGAS' effect to LGUs is an area not being dealt much by current researches. With the large investments in IT over many years, however, it seems that the benefits of a good computerized AIS are not widely known or visible; hence, it is both useful and interesting to further investigate the subject (Gullkvist, 2003). What has been a question is its effect on accounting, reporting and financial control of Local Government Units (LGUs).

### Research Objective and Questions

This study aimed to determine the effect of Electronic New Government Accounting System (E-NGAS) on accounting, reporting and financial control of Local Government Units (LGUs). Specifically it sought to answer the following:

1. What is the work profile of the respondents in terms of: a. LGU classification b. Income classification
2. What is the effect of e-NGAS on accounting and reporting of LGUs?
3. What is the effect of e-NGAS on financial control of LGUs?
4. Is there a significant difference on the effects of e-NGAS on accounting and reporting and financial control among LGUs when grouped according to LGU classification?

5. Is there a significant difference on the effects of e-NGAS on financial accounting and reporting and financial control among LGUs when grouped according to income classification?

### Hypotheses

1. There is no significant difference on the effects of e-NGAS on accounting and reporting and financial control among LGUs when grouped according to LGU classification.
2. There is no significant difference on the effect of e-NGAS on financial accounting and reporting and financial control among LGUs when grouped according to income classification.

### Significance of the Study

This study aims to examine the effect of e-NGAS on the accounting, reporting and financial control of different LGUs in Cagayan. It includes the consideration of the benefits provided by embracing the system regarding the enhancement of the timeliness, accuracy, effectiveness and ease of use of the system. The results of the said examination would help the researchers generate a clear view whether e-NGAS system served its purpose in generating reports and financial controlling. This could also help the Local Government Unit employees to be informed of the overall evaluation of the system on whether it is effective and if it can help the employees in generating a more detailed evaluation of the accounting policies and procedures. In addition, this will also help LGUs in enhancing internal control and quality of financial reporting in order for them to be able to identify significant lapses that hinder them from the effective and efficient implementation of their projects compared to the past system and to find room for improvement to achieve their goals more effectively. It is also a help to the academic community to be provided a basis of a more comprehensive understanding of government accounting. Lastly, for future and current researchers and writers that will serve as a basis for their future comparative studies regarding e-NGAS.

### Literature Review

#### Conceptual Framework

Computerized system were adopted by the government to improve the management of public resources, enhances budgetary controls and strengthen fiscal discipline. They were also used as a means of improving the transparency and accountability of public spending. By doing so, the government could create an environment that is free of graft and corruption and strengthen the interest of the public. In order for the government to meet such aforementioned objectives, the

Accountancy, Business and Hospitality Research Bulletin system requirements were thoroughly assessed to assure that the system can accommodate the needs of its users. In simpler terms, adequate preparation for the adoption and realistic system design were given importance for the efficiency and effectiveness of the system implementation. Our study was based on research conducted by Zuriati and Zakaria entitled "A Survey on the Impact of Accounting Information System on Task Efficiency: Evidence from Malaysian Public Sector Agencies wherein it was emphasized that task efficiency is an underlying factor of measuring the system success or effectiveness. The researchers make use of the demographic background information of their respondents and assess the internal consistency and reliability of the current AIS on processes related to budgeting, financial controlling, auditing and financial reporting. The findings showed that the benefits derived from the system yielded favorably towards the accuracy and timeliness of reporting of the financial information of the Malaysian Public Sector Agencies. In general, the results suggested that the objectives of the system have been met and that the current system adoption contributed greatly on the overall accounting tasks efficiency.

### **Accuracy, Effectiveness and Efficiency of Automated Government Accounting System**

An information system is an organized means of collecting, entering, and processing data and storing, managing, controlling, and reporting information so that an organization can achieve its objectives and goals. Computerized accounting system has to do with the use of computer in recording, classifying measuring and communicating financial information to enable users, such as employees, government, management and the public, makes intelligent financial decisions. Many scholars believe computerization of financial system as significant to any institution because of the role it plays in enhancing efficiency in service delivery.

Computerized or Automated Accounting System of Government enhances the performance functions as efficiency and effectiveness is enhanced. Integrated financial system involves computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of the line ministries (LMs) and other spending agencies (Kotze, 2012). Through computerization of it, tracking and retrieving financial information became easier. This was further supported by Osmond (2009) who said that Effects Of Electronic New Government Accounting System (e-NGAS) | 5 the biggest impact of information technology (I.T) is the ability of companies to develop and use computerized systems to track and record financial transactions. It can also improve public financial management in a

number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information.

Murungi&Kayigamba (2015) shows that the computerized accounting system adopted by the ministry of local government of Rwanda has improved its performance in financial reporting. Interview findings also reveal additional improvements made which include Accuracy and efficiency in record keeping, simplified transaction posting, minimization of errors, as well as speed and better quality of reports. This is supported by Yaser (2013) in the study on the impact of accounting information systems used in the income tax department on the effectiveness of tax audit and collection in Jordan where speed, accuracy and efficiency are articulated. Computerized Accounting System allows government institutions and organizations to quickly and accurately create individual reports for management decision making. Rodin-Brown (2008) states that an automated accounting system provides timely, accurate and consistent data for management and budget decisionmaking. By computerizing the budget management and accounting system for a government, it aims at improving the quality and availability of information necessary at various stages of public financial management, such as budgeting, treasury management, and accounting and auditing.

An effective implementation of Government Accounting is critical to the success of any government business. The public sector accounting systemizing alternative to the traditional method of government accounting system, and offers better reports on government activities. It is validated as a tool for promoting efficiency in the public sector. Its advent also led to improvements and efficiency of resource management, effectiveness in policy delivery, transparency of information and accountability to parliament and the public (N. Tonkope, 2017). Ilias and Zainudin (2013) stated that Information Communication Technology (ICT) and Computerized Accounting Systems (CAS) have relieved the government from keeping bulky information which increase rapidly and becomes a problem when using manual system. The government accounting and budgeting system helps businesses in reducing a lot of paper work and stay organized. Also supported by McBride (2000) The system allows quick access to information with less effort. The use of government accounting and budgeting systems eased auditing and promote access to required information such as cheque numbers, payments, and other transactions. The system also help to reduce the time spent on accessing this information and documentation during auditing.

According to Dacosta (2012) using a Computerized Accounting Systems saves companies time and money. The use of a computer makes in putting accounting information simple. Transactions are entered into the system and the system processes and posts transactions accordingly. According to European Union audit in 2003, it was noted that organizations are not enjoying the benefit of

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computerization of accounting system as they have continued Effects Of Electronic New Government Accounting System (e-NGAS) | 6 to be inaccurate due to increased number of interruptions due to system failure or breakdown and untimeliness with its reliability left in question. In other studies, Computerization saves time on transaction hence leading to quality of financial reporting for instance timely, accurate and reliable information can be generated (Lewis 1999).

### **I.T. and Its Effect on Tasks**

Innovations of modern technology have aid the government sector in their regulatory function and operation in the areas of accounting, finance and internal control. Sun and Fricke (2009) believed that the objective of I.T was to have a positive impact on the outputs of the users by enhancing the tools utilized in their workplace. Automated systems were put into use to support the agencies in handling their different transactions. By making use of I.T, Government employees were able to execute their routine task with ease of convenience and with such, leading the agency into significant productivity gains (Bierstaker, 2001). Nevertheless, it is a primordial importance that the person(s) should be aware of the I.T. effectiveness on the tasks executed and if the system has met its objectives. Technology literacy is the ability to understand and use technologies. Moreover, users with depth knowledge and equipped with proper training on handling e-government tools tend to have better performance results than those who don't.

Another factor to be considered is, task-system fit should be one crucial determinant of whether a system is considered to be more useful or less beneficial (Masrek, 2007). He concluded that greater task system fit would lead to improved performance needed by an individual. This was further stressed by Jain & Kanungo (2006) stating that the higher the degree of fit between the technology functionalities and the requirements of the user's tasks, the higher that the technology will be used effectively and such would lead to an increase in the task efficiency of the government employees.

### **Benefits of Automated Government Accounting System**

Many businesses have invested in using automated system in the procurement of their daily transactions. In the area of accounting and finance, the use of hand in financial reporting has been replaced by the use of computer software to enable quick reporting and easy processing and storage of financial information, hence due to facilitation of accounting software, preparation and access of financial statements and use of accounting procedures has been made

easy (Kharuddin et al., 2010). Recently, several studies have asserted that accounting information system plays a proactive role in the strategy management, acting as a mechanism that enables organizational strategy (Chenhall, 2003, Gerdin and Greve, 2004). Accounting information system serves the purpose of furnishing information about the entity's economic resources, claims against those resources, owner's equity and changes in the resources and claims.

Accounting software enables timely and faster generation of financial reports. This helps managers to easily identify and solve problems instantly and take evidencebased decisions within various departments of the ministry. Computerized accounting system also enables data to be available instantly and be made available to different users in different locations at the same time meaning that reporting can be done at any time said by Murungi and Kagiyaamba (2015). Sarai, Zarayawati, and Annuar in 2010 said that information system had been widely used by many corporations to automate and integrate their business operations. Many organizations adopt the information system to improve their organizational efficiency and increase competitiveness ability.

However, as pointed out by Halachmi (2004) in some cases, e-government was not introduced by government officials in order to capitalize on its potential to increase efficiencies, disseminate information in order to improve quality of service and responsiveness. Rather, it was seen as a way for dealing with the new reality where additional resources cannot be mobilized to underwrite the cost of the ever-increasing cost of government operations. Also, Northrup and Thorson in 2002 observed that egovernment initiatives have been predominantly focused on changing government operations, structures, and services to boost productivity. They have also asserted that e-government efforts are argued to have the potential to transform government by helping to bring about changes the way in which governments are structured.

Leaping ahead of central government, e-government has been evolving rapidly at the local level. Accordint to Ma, Chung and Thorson (2005), local governments have taken the lead in providing sophisticated e-government applications. The reason for the use of the automated system is for the generation of records that are easy to track back when it comes to content, origin, timing or participants and further changing and improving the government from the current passive nature into an active form. The goals of implementing e-government include greater administrative efficiency and effectiveness, transformed government functions, reduced bureaucracy and official corruption, and better public services (Chen, Huang, Ching, 2006: Kluver, 2005).

**Electronic- New Government Accounting System (E-NGAS) and Government Accounting Manual (GAM)**

According to Article IX-D, Section 2 Par. (2) of the 1987 Constitution of the Republic of the Philippines, the Commission on Audit (COA) shall have exclusive authority, subject to limitations, to define the scope of its audit examination, establish the techniques and methods required therefore and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties.

Pursuing this constitutional mandate, the COA initiated the implementation of Electronic- New Government Accounting System (E-NGAS). It initiated/implemented “Government Accounting Simplification and Computerization Project” to design a new government accounting system (NGAS) to simplify governing accounting, conform to international accounting standards and generate periodic and relevant financial reports for better monitoring of performance.

The e- NGAS is an accounting software developed by the COA to promote correctness, reliability, completeness and timeliness in recording government financial transactions and to generate financial reports in accordance with the policies and procedures of the Government Accounting Manual (GAM) which superseded the New Government Accounting System (NGAS). It runs on: Microsoft SQL Server and Sybase Adaptive Server Enterprise (ASE) environments with extension security features to ensure adequate internal control.

According to Perez on her discussion of ‘Implementing the Computerized Government Accounting System: Philippine Experience’, e- NGAS has the following objectives:

- Standardize recording of government financial transactions
- Consolidate Financial Reports for National Government Agencies (NGAs), Local Government Units (LGUs) and Government Owned & Controlled Corporations (GOCCs)
- Align the Accounting System with International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS)
- Improve accountability and governance through transparency in governmental financial management

COA’s projects which would impact e-NGAS are realized through the formulation and implementation of the GAM. These projects are the Harmonization

of Philippine Government Accounting Standards (PGAS) with International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS), Formulation of guidelines on keeping of general accounts of the national government and Revision of NGAS Manuals and Philippine Government Chart of Accounts. It is designed to be implemented to National Government Agencies and Local Government Units. Recently, different agencies are conducting massive training of accountants, budget officers and other personnel of government agencies on e-NGAS and GAM.

**Local Government Units (LGUs)**

LGUs have three classifications: Province, City and Municipality. A municipality is a political subdivision of a state within which a municipal corporation has been established to provide general local government for a specific population concentration in a defined area. It is locally known as “towns”. It is distinguished from a city wherein the latter is different category of local government unit. Currently, there are 28 towns in Cagayan.

In accordance with the Local Government Code of 1991, municipalities are sorted into 5 classes with respect to their average annual income. The table below shows the summary of the threshold for each classes.

into 5 classes with respect to their average annual income. The table below shows the summary of the threshold for each classes.

<b>Class</b>	<b>Average Annual Income (2017 and earlier)</b>
First	P 55,000,000 or more
Second	P 45,000,000 or more but less than P 55,000,000
Third	P 35,000,000 or more but less than P 45,000,000
Fourth	P 25,000,000 or more but less than P 35,000,000

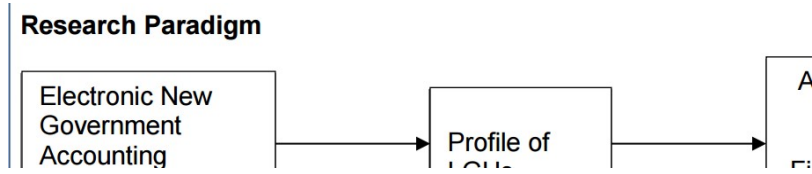
On the other hand, Cities are classified into three categories: Highly urbanized cities, Independent Component Cities and Component Cities respectively. Highly Urbanized Cities are cities who have 200,000 inhabitants, as certified by the National Statistics Office, and with the latest annual income of at least Fifty Million Pesos (P50,000,000.00) based on 1991 constant prices, as certified by the city treasurer. Independent Component Cities are cities whose charters prohibit their voters from voting for provincial elective officials. Independent



Accountancy, Business and Hospitality Research Bulletin component cities shall be independent of the province. Lastly, cities which do not meet the above requirements shall be considered component cities of the province in which they are geographically located. If a component city is located within the boundaries of two (2) or more provinces, such city shall be considered a component of the province of which it used to be a municipality. There is only one city in Cagayan, which is Tuguegarao City. (Philippine Statistics Authority).

The study took consideration of the aforementioned data to look after those municipalities who are financially capable to implement e-NGAS system in their respective areas. Such information would be used in choosing the appropriate respondents for this study.

**Research Paradigm**



The paradigm shows that the profile of LGUs may have an effect on the accounting and reporting and the financial control of LGUs.

**METHODS**

The study used the descriptive research method. The study was conducted in the different LGUs of Cagayan using e-NGAS. The respondents were the accounting staffs in the accounting department of the different LGUs who had knowledge and experience with government procurement of funds and execution of financial transactions. Purposive research method was employed. The main data gathering tool used in this paper was the questionnaire. The questionnaire consisted of two parts. First part contained the profile of the respondents while part two determined the effects of e-NGAS on employees' accounting and reporting and financial controlling. Some of the questions were modified and was based on INTOSAI Guidelines on Internal Control Standards for the Public Sector (2004), COA Handbook on Internal Control Structure (2002) and The Effect of Computerized Accounting Systems on the Quality of Financial Reports of Non-Governmental Organizations in Nairobi County, Kenya by Sugut (2012). A letter asking permission to conduct the study was sought from the office of the Vice President for Academics. Same letter was noted by the SABH Academic Dean and the research adviser. Upon approval, the researchers communicated among the different LGUs regarding the study. The reserchers personally visited the different

LGUs and simultaneously administered the questionnaires among the respondents and retrieved the same. Descriptive statistics such as frequency and percentage was used to determine the current status and income class of LGUs. Mean was used to determine the effect of e-NGAS on accounting, reporting and financial control. Meanwhile, ANOVA and Pearson R were used to assess the relationship between the effects of e-NGAS on accounting and reporting and the effects of E-NGAS on financial control of local government units (LGUs).

**RESULTS**

**RESULTS**

**Table 1. Work Profile of Users of e-NGAS of LGUs**

WORK PROFILE	FREQUENCY	PE
LGU Classification		
Municipality	17	
City	2	
Province	5	
Income Classification		

As shown from the table, of the total respondents, 70.8% belong to the Municipality group. In terms of income classification, majority of the respondents with a percentage of 75% came from 1st class LGU.

**Table 2. Effects of e-NGAS on Accounting & Reporting**

EFFECTS	MEAN
1. The financial reports generated by the system meet the deadlines.	3.33
2. The financial reports generated by the system can be understood by the users.	3.46
3. The financial reports generated by the system meets the government's requirements in reporting.	3.42
4. The financial reports generated by the system can be used in decision making.	3.58
5. The system improved the speed of recording or financial entry.	3.75
6. The system by posting transactions to the ledger and double entry help to improve the quality of data.	3.58
7. The system improved the account record keeping and retrieval of information.	3.79
8. The system accurately calculate, summarize, categorize and update	3.71

Legend:

- 1.00 – 1.75 – Negative Effect
- 1.76 – 2.50 – Slightly Negative Effect
- 2.51 – 3.25 – Positive Effect
- 3.26 – 4.00 – Extremely Positive Effect

As shown from the table, e-NGAS has extremely positive effect on financial accounting and reporting of LGUs. Moreover, it can be seen that e-NGAS improved LGUs' record keeping and retrieval of information. In addition, it also improved the speed of LGUs' in making financial entries.

**Table 3. Effects of E-NGAS on Financial Control of LGUs**

EFFECTS	ME
1. The system increased the ability of their organizations to undertake central control or monitoring all expenditures or receipts.	3.9
2. All receipts or payments generated by the accounting system include unique document identification numbers, either preprinted on the form or printed on the form by the application system.	3.9
2. The system provide sufficient transaction documentation on the day to day transaction of the said agency.	3.9
4. The computerized accounting system maintains electronic audit trails sufficient to trace all transactions from the original source of entry into the system.	3.9
5. The system includes mechanisms that allows only certain personnel to issue, revise and approve internal documents including their identification and revision status.	3.9
6. Transaction dates was based upon system generated dates and cannot be modified by the user.	3.9
7. The system provides extensive data editing, validation, and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted.	3.9
8. The processes needed are	3.9

As gleaned from the table, e-NGAS has extremely positive effect on productivity of LGUs for it supports government work strategies. Also, e-NGAS has extremely positive effect on security of data for it provides mechanisms that recognize and sort authority to issue, revise and approve internal documents. Overall, e-NGAS has extremely positive effect on financial control of LGUs.

**Extremely positive effect on financial control of LGUs.**

**Table 4. Significant Difference on the Effects of E-NGAS when to LGU classification**

LGU Classification	DF	F-VALUE	P-VALUE
Accounting and Reporting	2	.483	.624

As revealed from the table, p-values of 0.624 and 0.170 are greater than the alpha level of 0.05. If p-value is greater than alpha, there is no significant difference and the null hypothesis (Ho) should be accepted. Thus, there is no significant difference on the accounting and reporting, and financial control when grouped according to LGU classification.

**classification.**

**Table 5. Significant Difference on the Effects of E-NGAS when to Income Classification**

Income Classification	DF	F-VALUE	P-VALUE
Accounting and Reporting	2	4.372	.026

The table shows a p-value of 0.026 which is lesser than the alpha level of 0.05 on accounting and reporting. If p-value is lesser than alpha level, null hypothesis (Ho) should be rejected. Thus, there is a significant difference on the effects of e-NGAS to Accounting and Reporting of LGUs when grouped according to income classification. However, when it comes to Financial Control of LGUs, p-value of 0.192 is greater than 0.05 alpha level. Therefore, there is no significant difference on the effects of e-NGAS to Financial Control of LGU.

**Table 5a. Least Significant Difference on the Effects of e-NGAS on Accounting & Reporting when Grouped According to Income Classification**

INCOME	MEAN	1	2	3
First Class	3.44	1		
Second Class	3.93	.013*	1	
Third Class	3.80	.149	.655	1

As gleaned from the table, there is a significant difference on the effects of eNGAS on Accounting and Reporting between First Class and Second Class income classification of LGUs.

**DISCUSSION**

Currently, the LGUs of Cagayan that are using e-NGAS are Sta. Ana, Gonzaga, Aparri, Gattaran, Tuguegarao City and Province of Cagayan. The extent of implementation of e-NGAS in Cagayan is notably limited despite the system’s age. Out of 30 LGUs, 6 are currently using the system. The results revealed that majority of the respondents came from LGUs having municipality as their current status. In terms of income classification, majority of the respondents came from first class LGUs. These reflect that majority of the users of e-NGAS in Cagayan are municipalities. When income is taken into consideration, two-thirds of the users of e-NGAS are having a first class classification.

There is an extremely positively effect of e-NGAS on Accounting & Reporting of LGUs. This shows that e-NGAs had improved the processing of transactions as well as the accuracy of data in terms of amounts. With the use of the system updating general ledgers and keeping financial records can be efficiently done. The e-NGAS had sped up the generation of financial statements and issuance of financial reports. Same findings was also revealed from the study of Sugut (2012), who revealed that computerized accounting systems affects the quality of financial reports of the Non-Governmental Organizations to a great and positive extent. The aspects of computerized accounting systems affect the quality of reports to a great extent include timeliness, speed, accuracy and quality of package used. It was observed that the quality of the financial reports are good with the 90% agreeing that the information in the reports are accurate, 89% said the reports helps in accountability 85% said that the reports are timely and relevant whereas 83% said the reports are reliable an average of 80% agreed that the reports are reliable. This is further supported by the study of Murungi and Kayigamba (2015) who revealed that the computerized accounting system adopted

by the ministry of local government of Rwanda has improved its performance in financial reporting. Interview findings also reveal additional improvements made which include Accuracy and efficiency in record keeping, simplified transaction posting, minimization of errors, as well as speed and better quality of reports. Moreover, the effects of e-NGAs on Financial Control have shown a positive effect on the different LGUs in Cagayan. This was shown through the increase in the ability of the organizations in undertaking central control or monitoring all expenditures and receipts, the inclusion of unique document identification numbers, provision of sufficient transaction documentation, maintenance of electronic audit trails from the original source of entry into the system. It also featured an inclusion of mechanisms allowing only certain personnel to have certain authorities from the issuance up to approval of internal documents. There is also a proper internal control with regards to the irrevocable system generation of transaction dates as well as provision of extensive data editing, validation and change capability upon input and before transaction is posted to an account which does not allow alteration after it is posted. The system, in addition, has an appropriate design which supports government work strategies which increases productivity. This was supported by David H. Wang & Quang L. Huynh (2012) who revealed that with computerized accounting, the company will have greater visibility into the day-to-day business operations and greater access to vital information. This was also supported by Saira (2010) who stated that the use of computerized accounting system manifests good management of resources and better control of expenditures, budgeting and forecasting. This was further supported by Osmond (2009) who said that the biggest impact of information technology (I.T) is the ability of companies to develop and use computerized systems to track and record financial transactions. It can also improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information.

The accounting & reporting, and financial control of LGUs when grouped according to current status do not differ significantly. Meanwhile when it comes to the income classification of LGUs there is a significant difference in the accounting & reporting aspect, specifically the 1st and 2nd class LGUs. This implies that the effect of using E-NGAS enhances the quality of financial reports and aids in the decision making of the said LGUs. It also encourages full automation of procedures which improves task efficiency. With the use of e-NGAS, 1st class LGUs were able account more accurately their complex transactions that made them attain such good performance, as compared to 2nd and 3rd class municipalities. This was supported by Tonkope (2017) who revealed that the public sector accounting systemizing alternative to the traditional method of government accounting system offers better reports on government activities. It is validated as a tool for promoting efficiency in the public sector. Its advent also led to improvements and efficiency of resource management, effectiveness in policy delivery, transparency of information



Accountancy, Business and Hospitality Research Bulletin and accountability to parliament and the public. This was supported by Hotch (1992) who found out that when organizations adopt e-accounting, they usually discover that even though computerized accounting systems handle financial data efficiently, their true value is that they are able to generate immediate reports regarding the organization. This was further supported by Salehi, Rostami and Mogadam (1992) who revealed that using accounting information system led to better future prediction and more accurate financial statements and reliable communication of financial information.

## CONCLUSION

The e-NGAS has extremely positive effect on financial accounting and reporting, and financial control of LGUs using e-NGAS in the province of Cagayan in terms of timely generation of financial reports and accurate recording of daily transactions which improved their overall efficacy. The system also aids in recordkeeping and retrieval of information and has accommodated the needs of the LGUs in their operational activities as well as on their financial performance.

## RECOMMENDATION

Based on the findings of the study, it can be recommended that the system should be used by all LGUs for its effectiveness in the accounting and reporting, and financial control. It can be further recommended for future research to study the reasons behind the limited implementation of e-NGAS.

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