



FINANCIAL MANAGEMENT PRACTICES AND GOVERNMENT PERFORMANCE: A CASE OF TAITA TAVETA COUNTY, KENYA

Phelis Lini Mwambere¹, Dr. George Kosimbei²

¹Student- Kenyatta University

²Ph. D. - Lecturer - Kenyatta University

ABSTRACT

Public financial management acts as a lever to economic development since it ensures revenues are raised effectively and at the same time budget decisions planning and execution is done transparently and reliably. In Kenya, public financial management has faced grave challenges since creation of devolved units. This is despite dynamic and strong institutional and legislative frameworks designed to make the public financial management systems to work effectively and efficiently. Reports by the Audit General have indicated mismanagement of public funds by county governments leading to poor service delivery to the public. Therefore, this study purposed to assess financial management practices and its effects on government performance with a focus on Taita Taveta County government. The research objectives guiding the study were; to establish the effect of internal monitoring, working capital management, budgeting practices and financial reporting analysis on performance of county governments in Kenya. The study was grounded on the theory of agency theory, participative budgeting and trade-off theory. The study employed descriptive research design to investigate the relationship between financial management practices and performance. The study targeted senior staff derived from trade department, finance and planning department, county director of revenue management and County Executive Committee Members (CECMs). Census research method was employed by targeting all participants. The study employed purposive sampling technique to select the target population among the county government officials who are conversant with the affairs of the county. Primary data was collected using structured questionnaire whereas secondary data was obtained from county financial reports. A Multivariate regression model was used to estimate the effect of financial management practices on the county government performances. Data was analyzed using descriptive statistics and this was facilitated by the Statistical Package for Social Science (SPSS) version 25 in order to give quantifiable statistics and the results were presented in frequency tables. The study findings established that the County government has a working capital management system and it was established that the county government has implemented programs to reward staff who proactively find and report internal control vulnerabilities and loopholes. Continually the county government of Taita Taveta maintains optimal cash balances and this provides smooth operations of the county government by ensuring sufficiency of revenue flow. Finally, it was shown that the county government forecasts the county future cash flow so as to take corrective measures. It is concluded that the issue of liquidity regulation has been addressed by the Taita Taveta government through installing reliable systems for regulating liquidity and the county government has automated its

system for managing accounts receivables. The county government has a policy which requires preparation and disclosure of financial reports on a regular basis and the county flow of revenue and expenditure is disclosed to all stakeholders on time. The study recommends that the issue of liquidity regulation should be addressed by the Taita Taveta government through installing reliable systems for regulating liquidity and the county government should automate its receivables management system.

Keywords: Internal Monitoring, Working Capital Management, Budgeting Practices, Financial Reporting Analysis, Government Performance

1.0 BACKGROUND OF THE STUDY

World over, successful formulation and implementation of government policies and prudent running of economy calls for institutional effectiveness and public financial systems. These systems play crucial role in ensuring all government policies are executed without hurdles. Resource availability, services delivery and governments' policy achievements are enhanced by sound public financial management (PFM). For the maximization of scarce resources output, strong systems of financial management are pivotal to ensure government funds are used transparently and are accountable thus ensuring long-term success of an economy. When public financial management is executed rightfully it leads to surety of efficiency in revenue collection and consumption (PEFA, 2016). Further, public financial management acts as a lever to economic development since it ensures revenues are raised effectively and at the same time budget decisions planning and execution is done transparently and reliably. It also leads to public and donor agencies confidence (CIPFA, 2014).

Public financial management practices comprise of a set of activities which relate to implementation of policies in public programs (Ghorbani, 2013). According to Lerno (2016) these activities are committed to enable success in public programs implementation. This calls for the prerequisite knowledge on the part of public financial managers so as to ensure smooth policy implementation. Moreover, the managers handling public finance are compelled to have a requisite understanding of the organization's goals and mission. This requisite knowledge pertinent to public finance managers include tool for managing public finance and practices as well as know-how on the instance to apply those tools and practices with an attempt to stimulate and influence financial strength of the organization. From the outset, it is imperative to define the core concept of the study which is public financial management practices. According to CIPFA (2014) public financial management practices (PFM) is merely a system where all financial activities of the public services are controlled, directed and stimulated to support public service delivery. The public finance managers should understand that solving insatiable needs for scarce public resources is not a technocratic answer but a value driven process. The key distinction between public financial management and private sector financial management lies on its qualitative nature. However, there are a myriad of commonalities between the two financial management practices which is galvanized by professional accepted standards (CIPFA, 2014).

When the public financial management dysfunction the revenue collection efficiency is not guaranteed thus leading to poor service delivery. However, a dysfunctional PFM can be detected by experiencing budget deficits which are persistent and wider gaps between public expenditures and approved budget (Bhunias, 2011). Any government must ensure financial

management systems are well-designed since this form the key and essential precursor for effectiveness and successful development ends. Public financial management assures citizens continued provision of services which is realized through discipline in fiscal aggregate and wealth redistribution (NAZ, 2017).

In Africa, failure in capital investment reforms has led to majority of institutions which are public to fell in an abyss of financial distress which is has also been felt in systems to manage personnel and fiscal budgeting as well (Wakiriba, 2014). A classic example of this failure of public financial reforms has been illustrated by Fjelstad, Henjewe, Mwambe, Ngalewa and Nygaard (2014) who focused their study on analyzing public finance reforms in local authorities in Tanzania and concluded that there is a casual relationship between local authorities governance and public financial management which accelerates the local governments fall to imminent financial distress.

Regionally, Fölscher, Mkandawire and Faragher (2012) investigated the extent of PFM practices in Malawi from the year 2001 to 2010 and it showed that the Country had successfully reformed the PFM and this brought about adequate capacity by the Country to prepare and execute budget. However, these reforms were realized through external support which led to ultimate implementation of Integrated Financial Management System and procurement systems. According to Fölscher et al, (2012), Malawi has made significant strides in improving its PFM practices and that these improvements can be traced to direct PFM inputs by donors and government, as well as external domestic pressure for reform. Further, Fölscher et al, explains that a key driver of improved PFM functionality in Malawi has been the successful implementation of an IFMIS system to control commitments and payments, coupled with the centralization of the payment system and the establishment of a Single Treasury Account system.

In addition, Tanzania and Ethiopia PFM practices were brought to light in a study by Muhammed (2014) who analyzed PFM practices in Tanzania and neighbour ing Ethiopia. The report showed notable success of reforms in both countries. The reforms targeted strengthening weak links in the financial controls which were /realized through first introducing effective controls with a view to improve efficiency. In the case of Ethiopia, the Country endeavored in evolving the existing financial systems and laying an eye on legal framework as well as replication in automation. Whereas for Tanzania, the financial reforms were actualized through embracing up-to-date information systems and revised financial management procedures.

Locally, Kenya encountered myriad challenges similar to other countries in Africa and beyond which necessitated public financial management reforms particularly in public sphere. This reform necessity was precipitated by public finance gaps identified in previous systems and procedures which were used by individuals to siphon public funds and unfair redistribution of public resources. The Kenyan government in the year 2002 acknowledged the fact that for any tangible national development to be achieved it must be pegged on a well-designed public financial management system. The reforms carried out in Kenya can be highlighted in two phases. The first reform of PFM came to light in the period between 2006 and 2011.

This reform phase carried a banner of “Public Financial Management System Revitalization” (ROK, 2016). The phase was further boosted by the creation and unveiling of the new constitution which came along with additional opportunities for enacting key legal and institutional reforms to bolster existing PFM framework in the country. Notably, major reforms occasioned by the new constitution included county government creation and subsequent creation and Public Finance Management Act 2012 among other reforms which elongated the public financial management practices in the country. The second phase which was fueled by the first phase discussed took place between the year 2013-2018 and the period is well remembered with formulation of reform strategy of public financial management (ROK, 2018). Enactment of the new Constitution in Kenya, 2010, settled confusion on fiscal decentralization and public financial management issues and made them the central discussing point in the last decade. This led to creation, through policy reforms; of Public Financial Management (PFM) Act 2012 assented by the president on the month of July, 2012. This policy provided legislative framework which was simple and understandable. The public financial management in both national government and devolved governments became transparent and accountable as a result of these notable reforms since the PFM Act 2012 showed the procedures of national resources sharing among the public institution and brought about vibrant public institutions accorded mandate for public finance objective to enhance efficiency and accountability. Examples of these institutions are Commission on Revenue Allocation (CRA) and Office of the Controller of Budget (OCS) (SID, 2012); this is a move that primarily devolved public finance management for proper public revenue collection and public expenditure that is done according to the law hence leading to better service delivery.

1.1 Financial Management Practices

In Kenya, the PFM Act, 2012, stipulates that the County Governments have the legal responsibility to manage the finances allocated from the national government (Cheruiyot, 2018). To achieve this, the Commission on Revenue Allocation, County Executive Committees and County treasuries were established in each county to manage public finances in accordance with the principles of fiscal responsibility set out in the PFM Act. Specifically, Cheruiyot (2018) points out that the County Treasury is required among other responsibilities to prepare a County Budget Review and Outlook Paper, to be submitted to the County Executive Committee, whereas the Commission on Revenue Allocation is charged with the responsibility to make recommendations on the financing of, and financial management by the county government.

For instance, the County Treasury in Taita Taveta County is supposed to ensure that all the money raised or received by or on behalf of the county government is paid into the County Revenue Fund. The PFM Act allows the County Executive Committee to establish county government emergency funds for money that is appropriated by the County Assembly through an appropriation law. Further, for accountability, the County Treasury is required to submit a financial report to the Auditor-General in regard to utilization of the Emergency Fund. In addition to the emergency funds, the County Executive Committee (CEC) is supposed to establish any other public fund, with approval of the CEC and the County Assembly, and appoint a designated person to administer such public fund. In addition, the County Treasury is to prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval. The County Treasurer will then submit the strategy paper to the County Assembly for

approval. Thus, it is evident that institutional and legislative frameworks have been put in place to ensure that the principle of responsible financial management with clear fiscal reporting is upheld. However, the Auditor General's reports of public finance have shown that public financial management in the County face serious challenges with poor delivery of service.

2.0 STATEMENT OF THE PROBLEM

In Kenya, public financial management has faced grave challenges since creation of devolved units. This is despite dynamic and strong institutional and legislative frameworks designed to make the public financial management systems to work effectively and efficiently. In 2013, the final Auditor General's report of public finance painted a broken public financial management system in devolved governments and mismanagement of public funds truism. The county governments are well known to upend the laid down public finance procedures and have total disdain on the spirit and principles of public financial management Act of 2012 among other legislative frameworks (CoB, 2017). Despite huge allocation of public finance to the county governments to the tune of Kshs 368 billion, the county governments have failed to safeguard the finances from fraud and embezzlement which has affected service delivery to the public (CoB, 2017).

Taita Taveta County government has been in the news recently due to endless squabbles between the law makers and the executive. This showdown has been blamed on weak financial management systems which have created suspicions and cynicism between the various arms of the government. Over the past two years, service delivery has been low due to partly high level of capacity deficiency by the employees of public finance as well as vulnerable internal controls which have impacted service delivery and resulted in satisfaction of citizen's index being low (CoB, 2017). As a result, the County government has recorded low development outcomes and poor service delivery to citizens.

Consequently, prior studies conducted in Kenya have given a wide berth on devolved units' public financial management practices. Financial management practices have been considered in light of cash efficiency, inventory management, receivables (Nyamao, Ojera, Lumumba, Odondo and Otieno, 2015); operating cycle, working capital management (Mathuva, 2013). However, the aforementioned studies have failed to show the implication of public financial management on devolved units, performance. Based on the identified literature gaps, this study sought to investigate financial management practices and government performance with a special focus on Taita Taveta County government.

3.0 GENERAL OBJECTIVE

To investigate financial management practices and Government performance: A case of Taita Taveta County, Kenya.

3.1 Specific Objectives

- i. To establish the effect of internal monitoring on performance of Taita Taveta County
- ii. To determine the effect of working capital management on performance of Taita Taveta County
- iii. To examine the effect of budgeting practices on performance of Taita Taveta County

- iv. To investigate the effect of financial reporting analysis on performance of Taita Taveta County

4.0 RESEARCH HYPOTHESIS

H₀₁: Internal monitoring has no significant effect on performance of Taita Taveta County

H₀₂: Working capital management has no significant effect on performance of Taita Taveta County

H₀₃: Budgeting practices has no significant effect on performance of Taita Taveta County

H₀₄: Financial reporting analysis has no significant effect on performance of Taita Taveta County

5.0 LITERATURE REVIEW

5.1 Theoretical Framework

The study was guided by agency theory, participative budgeting theory and trade-off theory.

5.1.1 Agency Theory

The theory of agency as postulated by Ross and Mitnick has been widely applied in finance and accounting literatures. These two scholars are credited with incepting from the scratch the agency theory which happened almost at the same time. The authors are also credited with coming up with economic and institutional theory of agency which share the common approaches (Mitnick, 2013). The application of the theory is directed to explaining how agency relationship is born by merely a person taking care of another person's matters of finance. From the outset, it is imperative to define the agency theory which as per Mitnick (2013) it is a relationship the principals, that is, company interested parties, and agents who in this case are firm managers. This relationship is born when shareholders of the firm procures the services of agents to run the affairs of the firm on their behalf through delegation of authority and decision making.

The agency theory proves significant in lending very important framework for theoretical discourse in the aspect of internal auditing functions particularly in the public sphere (Adams, 1994). Agency theory was depicted in this study to support public sector internal audit role and financial management practices. The county government possesses audit function department as indicated by section 155, subsection 1 of the public financial management Act. This county government internal audit function is mandated with enhancing and designing systematic procedures and approaches to strengthen public finances governance and risk mitigation. The theory draws clearly the key roles of county and national government auditor in properly and professionally auditing financial activities of the governments and presenting qualified and fair opinion on his/her objective observation of the status of the financial management in both governments as called for in the Constitution of Kenya (Adams, 1994).

5.1.2 Participative Budgeting Theory

The theory was put in to practice in the year 1990 with its roots traced to Brazil where it was widely practiced until it spilled over to other countries around the world (Shah, 2012). Specifically, by 2005, the practice of participative budgeting had spilled over to more than three municipalities across the globe. However, in Kenya, the practice was absent till 2010 when it was put in to test after the promulgation of the new constitution. From the outset, it is useful to state the essence of the government budget which is merely a piece of paper containing revenues proposed by the government to be collected and how the revenues will be utilized given the laid down priorities. This document containing fiscal budget passes through the legislative arm of government from where it must be passed unanimously before it is passed on to the executive arm for approval or rejection. This executive arm may be national government or county government.

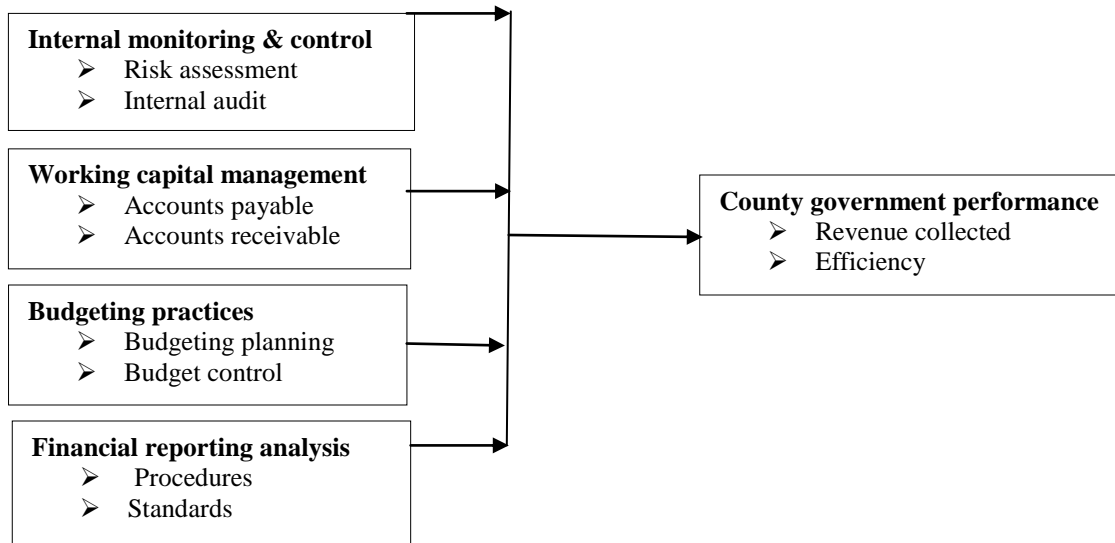
On the other hand, the theory dwells on public financial planning which must involve the constituents. Financial planning is tasked with showing clearly how a firm or government entity seeks to attain stated objectives or aims. This differs from the private sector sphere in that in private sector, a financial plan is created whereas in public sphere it is budgets in lieu of financial plans which are developed after vision statements and objectives of the plans has been created. However, both budgets and financial plans enumerates with clarity the tasks, infrastructure inform of equipment and tools, and resources sufficient to attain and surpass stated goals and objectives. The theory supports the variable of budgeting since it exhaustively depicts how the constituent of a financial plan or budget should appear in the created agency relationship in the case of county governments.

5.1.3 Trade-off Theory

Trade-off theory was advanced by Smith in 1980 and the theory lays its concern on entities profitability-liquidity trade-offs of an organization. The theory signals working capital management practices trade-off with entity solvency significance. According to the trade-off theory, the entity's profitability is negatively impacted by liquidity policies applied. Trade off theory is laid out to signal that huge entities whether public or private are not impaired by expansion or diversification since this move minimizes inherent risks. In the case of a county government, there is a wider pool of finances realized from revenue and national government share. According to Dash and Ravipati (2009) sizeable entities enjoy the privilege of procuring huge stocks on credit and settling the debts to the suppliers much later. A study by Eljelly (2010) corroborated previous assertions that solvency and liquidity have an inverse relationship. The study further showed that liquidity management is done properly can lead to planning and controlling of short-term liabilities and assets in such a manner that mitigates financial risks (Ghorbani & Adili, 2013). This theory instigates the research variable that working capital management affects performance of government.

6.0 CONCEPTUAL FRAMEWORK

It paints simple structure which is understandable and seeks to assist the reader to get knowledge on a phenomenon under the study (Burns, 2015).

Independent Variables**Dependent Variable****Figure 1: Conceptual Framework****7.0 RESEARCH METHODOLOGY****7.1 Research Design**

Descriptive research design was adopted for the current study to aid in collecting data to answer the research questions. The reason for choosing this particular research design is motivated by its suitability for the instrument to collect a large amount of data. The descriptive design vividly dissects systematically given situation or focus is with accuracy (Cooper & Schindler, 2013).

7.2 Target Population

Target population is the sum of events or group of people who exhibit homogenous features and traits that are easily observable and quantifiable (Kothan, 2014). The study population of interest in the current study comprised of 85 senior staff of Taita Taveta County Government drawn from County Executive Committee Members (CECM), Finance and planning department, the County Director of Revenue Management, Sub County Revenue officers, and Director of trade as illustrated in table 1

Table 1: Target Population

Department	Population	Percentage
CECM	10	11.8
Finance and Planning	29	34.1
Revenue management	33	38.8
Sub-county revenue officers	12	14.1
Trade director	1	1.1
Total	85	100%

7.3 Sampling Design

Sampling design refers to a method which aids the researcher to choose sample for the study (Kothari, 2014). This study applied census design since the population of interest was too small to sample.

7.4 Data Analysis and Presentation

Data collected was analyzed by use of the Statistical Package for Social Sciences (SPSS version 25) tool. The researcher produced both descriptive analysis and multiple regression analysis. Descriptive statistics proved important in measuring the mean and standard deviation of responses while multiple regression analysis sought to check the strength of relationship between the study variables. The following is the regression model was adopted:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y is weight for performance

β_0 is regression constant

β_1 - β_4 is regression coefficients

X_1 is weight for internal monitoring

X_2 is weight for working capital management

X_3 is weight for budgeting practices

X_4 is weight for financial reporting analysis

ϵ is error term

8.0 RESEARCH FINDINGS

8.1 Descriptive Analysis

Further analysis was done on the study to check the mean and standard deviation of the respondents' responses as indicated in the following tables.

8.1.1 Internal Monitoring

On internal monitoring, the researcher asked study participants to give their agreement level or disagreement level on the internal monitoring statements provided by use of a likert-scale questionnaire. The respondents' feedback is as painted in Table 2.

Table 2: Internal Monitoring

	Mean	Std. Deviation
County government of Taita Taveta has implemented programs to reward staff who proactively find and report internal control vulnerabilities and loopholes	4.46	.988
There is clear duty and responsibility separation in the audit function	4.37	1.032
Internal control systems access is controlled and protected by use of strong passwords and patterns to lock out potential threat of intrusion	4.17	1.341
County government performs frequent physical audits carried out to check physical assets of the county such as non-fixed assets	4.24	1.430
All monetary transaction documents for recording financial events and activities are systematically harmonized across all departments of the county	4.62	0.938

The research findings indicated that the county government of Taita Taveta has implemented programs to reward staff who proactively find and report internal control vulnerabilities and loopholes. This is represented by an average response of 4.46 and SD=0.988. Further, sampled respondents were in agreement when asked whether in the county government of Taita Taveta there is clear duty and responsibility separation in the audit function by a mean of 3.37 with a standard deviation of 1.032. Respondents agreed when asked whether internal control systems access is controlled and protected by use of strong passwords and patterns to lock out potential threat of intrusion as depicted by an average of 4.17 and SD=1.341. Also, respondents agreed that in the county government of Taita Taveta, there are frequent physical audits carried out to check physical assets of the county such as non-fixed assets. Finally, it was seen that all monetary transaction documents for recording financial events and activities are systematically harmonized across all departments of the county as indicated by a mean of 4.24 and a standard deviation of 1.430.

The findings concur with findings from a study that was done by Nwaobia, Ogundajo and Theogene (2016) who delved to establish internal audit practices and public financial management in Rwanda and Nigeria. The study found out that the internal audit function enhanced transparency in public financial management and reporting. Further, the findings concur with Njiru and Bunyasi (2016) who confirmed that internal control affect performance. Similarly, the findings agree with Mugo (2013) who reported that internal control systems do have a positive bearing on financial strength of the sampled technical training institutions.

8.1.2 Working Capital Management

On management of working capital, respondents were asked to indicate their agreement or their disagreements on given indicators of working capital management. The results are depicted in Table 3

Table 3 Working Capital Management

	Mean	Std. Deviation
Taita Taveta government has installed good systems for regulating liquidity	4.46	.988
County government has automated its system for receivables management	4.37	1.032
On continuous basis the county government of Taita Taveta maintains optimal cash balances	4.17	1.341
The county government forecasts the county future cash flow so as to take corrective measures	4.62	0.938

As shown in Table 3, the findings indicate that when respondents were asked to rate the statement that Taita Taveta government has installed good systems for regulating liquidity, they agreed with an average of 4.46 and SD=0.988. The respondents agreed with the statement that the county government of Taita Taveta has automated its receivables management system as indicated by a mean of 3.37 with a standard deviation of 1.032. The respondents further agreed to the statement that all the times the county government of Taita Taveta maintains optimal cash balances as shown by a mean of 4.17 and standard deviation of 1.341. This provides smooth operations of the county government by ensuring sufficiency of revenue flow. Finally, the respondents were asked to state their agreement or disagreement on the statement that the county government forecasts the county future cash flow so as to take corrective measures. They agreed with the statement as shown by an average of 4.24 and SD=1.430. .

The results show that the County Government of Taita Taveta has a good working capital management practices, thus expected to enhance performance of the County. The findings agree with survey by Hunjra *et al.* (2010) who embarked on a study on liquidity management and reported a significant connection with performance. Further, the findings concur with Bhunia and Khan (2011) who embarked on a literature expedition to check the relationship between working capital management and Indian companies dealing with steel manufacture efficiency. The study showed a positive and significant effect of liquidity management on performance of the sampled firms. On the contrary, the results disagree with the findings reported by Wanjiru (2013), who carried a study on financial management practices of NGOs and revealed that the practices of managing finance was wanting and this has posed a challenge on the NGOs ability to raise funds from good Samaritans.

8.1.3 Budgeting Practices

On practices of budgeting, respondents were asked to indicate their agreement or their disagreements on given indicators of budgeting. The results are depicted in Table 4.

Table 4: Budgeting Practices

	Mean	Std. Deviation
Taita Taveta government carries out analysis of budget variance on annual bases.	4.17	.741
Taita Taveta government fiscal budget is approved by the county assembly before being implemented	4.39	1.313
The budget applied in allocating departmental funds is prioritized based on CIDP	4.38	.509
The government units are issued with disbursed funds without delay	4.05	1.341

As indicated in Table 4 it is shown that participants of the study were in agreement with the statement that Taita Taveta government carries out analysis of budget variance on annual bases. This is depicted by an average of 4.17 and SD of 0.741. Respondents were asked to indicate their level of agreement or disagreement on the statement that County government of Taita Taveta fiscal budget is approved by the county assembly before being implemented. This is as shown by an average of 4.39 and SD of 1.313. Respondents were of the view that the budget applied in allocating departmental funds is prioritized based on CIDP as agreed by an average of 4.38 and SD of 0.509. Further, respondents confirmed the statement that the government units are issued with disbursed funds without delay as indicated by an average of 4.05 and SD of 1.341.

The results show that the County has effective budgeting practices which could provide control and direction of the County. The findings concur with the findings by Pimpong and Laryea (2016) which revealed that budget coordination had a statistically significant relationship on firm performance. Further, the findings agree with findings from a study conducted by Kimani (2014) which examined the effect of budgetary control on performance of Non-Governmental Organizations. The results showed a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. The research recommended sensitization of employees on budgetary controls and its effect on performance of the organization.

8.1.4 Financial Reporting Analysis

On analysis of financial reporting in the county, respondents were asked to indicate their agreement or their disagreements on given indicators of financial reporting. Findings are depicted in Table 5.

Table 5: Analysis of Financial Reporting

	Mean	Std. Deviation
When preparing financial reports care is taken to adhere to the set standards by the professional bodies	4.17	1.341
The international accounting standards are accepted and followed by the government is its financial analysis	4.41	1.301
County government has a policy which requires preparation and disclosure of financial reports on a regular basis	4.39	1.313
County flow of revenue and expenditure is disclosed to all stakeholders on time	4.16	.538

The results depicted in Table 5 show that respondents confirmed statement that when preparing financial reports, the government ensures care is taken to adhere to the set standards by the professional bodies as shown by an average of 4.17 and SD of 1.341. The respondents were of the view that the international accounting standards are accepted and followed by the government is its financial analysis as depicted by an average of 4.41 and SD of 1.301. Respondents also accepted the view that the county government has a policy which requires preparation and disclosure of financial reports on a regular basis (mean=4.39, SD=1.313). It

was agreed that the county flow of revenue and expenditure is disclosed to all stakeholders on time as indicated by a mean of 4.16 with a standard deviation of 0.538. The results are in agreement with a study by Dimba (2013) studied Kenya Medical Training College to establish the FMP used and returned a verdict that reporting of finances has a bearing on performance.

8.2 Inferential Statistics

8.2.1 Correlation Analysis

The researcher embarked on measuring the correlation of the study variables. Pearson correlation was chosen since the data was deemed to be normally distributed.

Table 6: Correlation results

		IM	WCM	BP	FR	P
Internal monitoring	Pearson	1				
	Correlation					
	Sig. (2-tailed)					
Working Capital Management	N	59				
	Pearson	.499**	1			
	Correlation					
Budgeting practices	Sig. (2-tailed)	.002				
	N	59	59			
	Pearson	.562**	.610**	1		
Financial reporting	Correlation					
	Sig. (2-tailed)	.037	.000			
	N	59	59	59		
Performance	Pearson	.584**	.318**	.415**	1	
	Correlation					
	Sig. (2-tailed)	.000	.000	.000		
	N	59	59	59		
	Pearson	.490**	.513**	.426**	.374	1
	Correlation					
	Sig. (2-tailed)	.000	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

KEY

IM – Internal Monitoring

WCM – Working Capital Management

BP – Budget Practices

FR – Financial Reporting

P - Performance

The results of correlation analysis in table 6 depicts that the association between the financial management practice of internal monitoring and government performance were moderately positively correlated as shown by $r=0.490$, $P<0.001$. Also, correlation results on the association between county government performance and working capital management or liquidity management was shown to be moderately and positively related ($r=0.513$, $P<0.001$). The

association between the financial management practice of budgeting and county government performance was depicted to be moderately and positively related as shown by correlation coefficient of 0.426, $P < 0.001$. The association between analysis of financial reports and county performance returned a verdict of positive and significant correlation as depicted by 0.374, and $P < 0.001$. From the correlation results it can be observed that the data set of the variables lacked multi collinearity problems since none of the variables had a coefficient factors of 0.8 and above.

8.2.2 Linear Multiple Regression Analysis

The researcher employed multiple regression analysis to check the relationship degree between the variables under study. The regression results are presented in tables below.

8.2.3 Model Summary

Table 7: Overall Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770 ^a	.594	.563	1.714

a. Predictors: (Constant), Internal monitoring, Working capital management, practices, Financial reporting analysis

Results in model fit shows that R^2 is 59.4% implying that the performance of county government of Taita Taveta varies at 59.4% as a result of collective effect of studied predictor variables. This means that the other remaining percentage to 100% can be connected to those other practices omitted in the current study.

8.2.4 Analysis of Variance

Model validity output is indicated in Table 8.

Table 8: Validity of the Model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	231.821	4	57.955	19.72	.000 ^b
	Residual	158.722	54	2.939		
	Total	390.543	58			

a. Dependent Variable: Performance

b. Predictors: (Constant), Internal monitoring, Working capital management, practices, Financial reporting analysis

ANOVA results as shown in Table 8 shows that the returned value of the model significance was 0.00 therefore indicating that the model fits the regression to test the relationship between the employed variables.

8.2.5 Multiple Regression Coefficients

The weights of regression for each independent variable are shown in Table 9.

Table 9: Overall Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	3.512	1.035		3.393	.000
IM	.337	.122	.655	2.762	.000
WCM	.259	.101	.344	2.564	.008
BP	.106	.043	.177	2.465	.013
FRA	.219	.105	.408	2.085	.020

a. Dependent Variable: Performance

The regression equation was:

$$Y = 3.512 + 0.337X_1 + 0.259X_2 + 0.106X_3 + 0.219X_4$$

The researcher observed from the returned regression coefficients that if all other factors are held absent then the performance of the government would still be positive at 3.512.

8.3 Hypotheses Testing

The researcher concludes hypothesis testing subject to p-values depicted in regression coefficient table that;

The first variable of the study was internal monitoring and the findings of regression have shown that the variable has a positive relationship with devolved government performance. The results gave a verdict that t-value was 2.762 and significance level of 0.000. Therefore, null hypothesis was rejected.

The second variable of the study was working capital management and the findings of regression have shown that the variable has a positive relationship with devolved government performance. The results gave a verdict that t-value was 2.564 and significance level of 0.008. Therefore, null hypothesis was rejected.

The third variable of the study was practices of budgeting and the findings of regression have shown that the variable has a positive relationship with devolved government performance. The results gave a verdict that t-value was 2.465 and significance level of 0.013. Therefore, null hypothesis was rejected.

The fourth variable of the study was analysis of financial reporting and the findings of regression have shown that the variable has a positive relationship with devolved government performance. The results gave a verdict that t-value was 2.085 and significance level of 0.020. Therefore, null hypothesis was rejected.

9.0 CONCLUSIONS AND RECOMMENDATIONS

9.1 Conclusions

The study concludes that there has been a notable implementation of the programs by the county government to reward staff who proactively find and report internal control vulnerabilities and loopholes. The county government of Taita Taveta has ensured there is clear duty and responsibility separation in the audit function and internal control systems access is controlled and protected by use of strong passwords and patterns to lock out potential threat of intrusion. The Taita Taveta government performs frequent physical audits to check physical assets of the county such as non-fixed assets and it was seen that all monetary transaction documents for recording financial events and activities are systematically harmonized across all departments of the county.

It is concluded that the issue of liquidity regulation has been addressed by the Taita Taveta government through installing reliable systems for regulating liquidity and the county government of Taita Taveta has automated its receivables management system. Continually the county government of Taita Taveta maintains optimal cash balances and this provides smooth operations of the county government by ensuring sufficiency of revenue flow. Finally, it is concluded that the county government forecasts the county future cash flow so as to take corrective measures.

The findings lead to the conclusion that Taita Taveta government carries out analysis of budget variance on annual bases and County government of Taita Taveta fiscal budget is approved by the county assembly before being implemented. The study concludes that the budget applied in allocating departmental funds is prioritized based on CIDP and the county operational units are issued with disbursed funds without delay.

It is concluded that during financial reports preparation, the government ensures care is taken to adhere to the set standards by the professional bodies and that the international accounting standards are accepted and followed by the government in its financial analysis. The county government has a policy which requires preparation and disclosure of financial reports on a regular basis and the county flow of revenue and expenditure is disclosed to all stakeholders on time.

9.2 Recommendations

It is recommended that there should be implementation of the programs by the county government to reward staff who proactively find and report internal control vulnerabilities and loopholes. Further, the government should ensure there is clear duty and responsibility separation in the audit function and internal control systems access should be controlled and protected by use of strong passwords and patterns to lock out potential threat of intrusion. The government should carry out frequent physical audits to check physical assets of the county such as non-fixed assets.

The study recommends that the issue of liquidity regulation should be addressed by the Taita Taveta government through installing reliable systems for regulating liquidity and the county government of Taita Taveta should automate its receivables management system. Continually

the county government of Taita Taveta should maintain optimal cash balances as this provides smooth operations of the county government by ensuring sufficiency of revenue flow.

Taita Taveta government should perform analysis of budget variance on annual bases and approve fiscal budget which is scrutinized by the county assembly before being implemented. The study recommends that the budget applied in allocating departmental funds should be prioritized based on CIDP and the county operational units should receive disbursed funds on time to ensure non-discontinuity of operations.

The study recommends that the government should ensure care is taken during financial reports preparation to adhere to the set standards by the professional bodies and that the international accounting standards should be followed by the government in its financial analysis. The county government should develop a policy which requires preparation and disclosure of financial reports on a regular basis.

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