International Journal of Economics, Commerce and Management
United Kingdom Vol. IV, Issue 4, April 2016
http://ijecm.co.uk/ ISSN 2348 0386

ANALYSIS OF FINANCIAL MANAGEMENT PRACTICES ON EFFECTIVE USE OF PUBLIC FUNDS IN THE COUNTY GOVERNMENT OF NAKURU, KENYA

J. M. Wang'ombe

School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

janetmuthoni218@gmail.com

P. Kibati

School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

kibatip@yahoo.com

Abstract

In the recent past, Kenya has experienced challenges in efficient utilization and management of public funds in government institutions. The County Government of Nakuru is one of the counties cited to have poorly managed its public funds characterized by high recurrent expenditure and low development expenditure. This study analyzed financial management practices affecting effective use of public funds in the county government of Nakuru. The study specifically examined the implication of records management and internal monitoring on effective use of public funds. The study adopted explanatory research design and it was conducted in the Nakuru County Government's Treasury targeting the 293 staffs involved in the management of finances. A sample of 74 staffs was selected to participate in the study using stratified random sampling technique. Data were then collected using questionnaires administered to the respondents. Data collected were analyzed using descriptive and Inferential statistics. The study revealed that records management practices did not have significant effect on utilization of County Government funds. However, internal monitoring and controls significantly influenced the effective use of funds in the County Government. The study concluded that financial practices in the county government were responsible for the funds utilization. As a result, the study recommended that County Governments as well as the national treasury should enhance internal monitoring and controls.

Keywords: County Government, Financial Management Practices, Internal Monitoring and Controls, Public Funds, Records Management

INTRODUCTION

Public financial management is critical to improving the quality of public service outcomes. Public financial management is defined by The Chartered Institute of Public Finance and Accountancy (CIPFA, 2010) as "the system by which financial management resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. It is more than likely that the general public will have greater trust in public sector organizations if there is strong financial stewardship, accountability and transparency in the use of public funds (International Federation of Accountants (IFAC, 2012).

The World Bank (2009) has emphasized the need to develop and strengthen the finance profession in developing and emerging economies to achieve stable and stronger financial management. According to OECD (2011) for effective public finance management, countries should build and maintain competent managerial and technical staff capacities, including but not limited to professional accountants and auditors, with the knowledge and skills to sustain PFM reforms at different levels of government including at sector level. Further, governments should improve fiscal transparency through mechanisms to ensure that meaningful public budget and financial information at different stages of the budget cycle is accessible to the public, with due attention to quality, usefulness, accessibility and timeliness. Pretorius and Pretorius (2008) indicate that effective Public Finance Management (PFM) systems maximize financial efficiency, improve transparency and accountability, and contribute to long term economic success.

In developing economies, public sector finance reforms have been based on various platforms. In Cambodia, Sierra Leone and Kosovo a sequenced approach to PFM reform was agreed and implemented in the most credible way. This approach prioritizes PFM reform interventions that address efficiency and accountability first. Then, further sequencing of reform interventions focuses on a joint problem identification by government and donors (World Bank, 2012). In Liberia, accounting was improved before embarking on the reform of the budget execution. A single accounting department has been established. Further, a new chart of accounts that is compatible with internationally recognized and regular annual fiscal outturn reports, supplemented by quarterly reports are published on the website of the Ministry of Finance (World Bank, 2012).

The recent move to adopt decentralization has led to a paradigm shift on governance, revenue collection and management. Kenya through the 2010 constitution adopted the devolution system of decentralization. Devolution entails the transfer from the central government to local governments the power to plan, mobilize resources and implement development programs (Prud'homme, 2003). The demand for devolution in Kenya arose from persisting perceptions and actual evidence of inequalities across Kenyan regions, which some people linked to the failure of over centralized budgeting and governance (Nyanjom, 2014).

The results of devolution gave birth to 47 county governments each with autonomy to plan, develop budgets, raise funds and deliver services to its citizens. In the devolved system of governance, Revenue is shared by the Commission for Revenue Allocation (CRA) between the central government and the county governments. CRA provides that, 34 per cent of the total revenue be allocated to the county government, 65.5 per cent to the national government and 0.5 per cent be allocated as equalization fund to the deeply marginalized regions. These figures are to be calculated based on the latest audited government accounts (CRA, 2013). The county revenue allocation is then budgeted and appropriated by the county government based on the principles set out in the Public Finance Management (PFM) Act of 2012(ROK, 2012).County governments are required to raise revenues to bridge gaps between the county budgets and the equitable share from the national government. Guidelines on the revenue collection and Budgeting and budget implementation are based on the Public Finance Management Act (PFMA), 2012.

The PFMA 2012 clearly stipulates the principles and framework for public finance management by all government entities. The requirements and principles of public finance stipulated in Article 201 of the Constitution are: openness and accountability, including public participation in financial matters, equity in distribution of resources to ensure that resources are shared between the current and future generations. Further, it requires that public funds are used prudently for the intended purpose and in a responsible manner. Finally, the PFMA 2012 requires that there is clarity in fiscal reporting and responsible financial management. These constitutional principles are further expounded under Section 107of the PFMA, 2012 (ROK, 2012).

The recent move to adopt decentralization has led to a paradigm shift on governance, revenue collection and management. Kenya through the 2010 constitution adopted the devolution system of decentralization. Devolution entails the transfer from the central government to local governments the power to plan, mobilize resources and implement development programs (Prud'homme, 2003). The demand for devolution in Kenya arose from persisting perceptions and actual evidence of inequalities across Kenyan regions, which some people linked to the failure of over centralized budgeting and governance (Nyanjom, 2014).

The PFMA 2012 clearly stipulates the principles and framework for public finance management by all government entities. The requirements and principles of public finance stipulated in Article 201 of the Constitution are: openness and accountability, including public

participation in financial matters, equity in distribution of resources to ensure that resources are shared between the current and future generations. Further, it requires that public funds are used prudently for the intended purpose and in a responsible manner. Finally, the PFMA 2012 requires that there is clarity in fiscal reporting and responsible financial management. These constitutional principles are further expounded under Section 107of the PFMA, 2012 (ROK, 2012).

In Nakuru County various issues have been cited in regard to public finance management since the inception of the county. The budget implementation report for the financial year 2013/2014 revealed that the county spent 50.42% on personnel emoluments, 40.67% on operations and maintenance while development expenditure formed 8.15%, 0.77% was spent in repayment of debts and pending bills. Nationally within the same period development expenditure was 22.3 per cent of the total county government expenditure (ROK, 2014a). In the first quarter of financial year 2014/2015, the Office of Controller of Budget (OCOB) reported that the county was second among the three counties with the highest spending on recurrent expenditure. The county spent 49.18 per cent on personnel emoluments, 33.81% on operations and maintenance while development took 17.01 per cent of the expenditure for the first quarter (ROK, 2014).

Statement of the Problem

The management of finances in County Governments is guided by the PFMA, 2012. Counties are therefore required to ensure, openness, accountability, public participation in financial matters, equity in distribution of resources, prudent use of resources, clarity in fiscal reporting and responsible financial management (ROK, 2012). In effective financial management public institutions are required to ensure allocations are implemented fully and faithfully. In addition, oversight, controls and prudent monitoring are essential to ensure that value-for money is delivered (OECD, 2011). However, in the County Government of Nakuru, absorption of funds for recurrent expenditure has been significantly high above the budgeted amounts while on the other hand absorption of funds in development expenditure fell significantly low (ROK, 2014a). Nakuru County recorded low absorption rates in development expenditure of 0.77 per cent in the financial year 2013/2014 and 17.01 percent in the first quarter of financial year 2014/2015 (ROK, 2014). Reports by the Office of the Auditor General (2015) cited high levels of financial mismanagement characterized by inflated costs, improper allocation of supply contracts, irregular payments and lack of supporting documents on payments. As a result of poor financial management, there is low level of budget absorption especially in development expenditure therefore defeating the very purpose for which it was created for enhancing development at grassroots level and bringing public services closer to the citizens. Consequently there is no value for taxpayer's money. Therefore this study sought to analyze finance management practices on effective use of public funds at the County Government of Nakuru.

General Objective

The general objective of the study was to analyze finance management practices influencing effective use of public funds in County Government of Nakuru.

Specific Objective

i. To assess the effects of records management on effective use of public funds in Nakuru County Government

ii. To establish how internal monitoring and controls affects effective use of public funds in Nakuru County Government

Research Hypotheses

H_{01}: Records management does not have a significant effect on effective use of public funds at the County Government of Nakuru.

H_{02}: Internal monitoring and controls does not have a significant effect on effective use of public funds in County Government of Nakuru.

THEORETICAL REVIEW

The big bucket theory in records management and organizational control theory are reviewed in this section.

Big Bucket Theory in Records Management

The big bucket theory was originally termed "flexible scheduling" and first proposed by the U.S. National Archives and Records Administration (NARA) (2003), the approach consolidates paper and electronic information into broad categories, or buckets. Rather than following a lengthy checklist, employees classify their records by a handful of groupings. Those groupings may be based on time periods, business functions, legal and regulatory classifications, or whatever makes sense for the organization and complies with appropriate laws.

In theory, the big bucket approach should greatly simplify records retention, thus improving employee compliance and reducing the risk of mismanaged files. And, in practice, it often does just that. But the big buckets do carry some considerations of their own. There is the danger of creating categories that are too broad, which affects accessibility and the volume of records stored. Also, the documents in a single category are retained for as long as the longest retention schedule in that bucket. This means that some records may be kept far beyond the time they normally would have been destroyed. Thus the best advice for using big buckets is to select the categories carefully.

The big buckets theory provides criteria for effective records management by enabling for the categorization and determining the duration that records can be kept in an organization. Therefore in the context of the current study, the big bucket theory can be useful criteria to be used in financial records management in the county government to ensure that relevant financial data is available all times. The approach allows an organization to consolidate both paper and electronic information into broad categories, or buckets. In the current era, county governments are utilizing both electronic and paper files, thus the big bucket approach would be relevant to integrate and concurrently file the two.

Organizational Control Theory

Theories of organizational control examine the process by which one party attempts to influence the behavior of another within a given system. Organizational control is an inherently communicative activity that consists of verbal and physical actions designed to overcome resistance and exercise authority over others. Tompkins & Cheney (1985) proposed a three-part framework for examining organizational control from a communication perspective, which they termed the double interact of control. The first two steps of this control process are based on the basic interaction model of communication where A sends a message to B; then B provides feedback to A.

Tompkins and Cheney (1985) added a third step to this model to create a double interact sequence. The first part of the double interact of control is described as the direction step where the organizational leader gives an instruction or direction to B the subordinate. The second step in this exchange is called evaluation and it examines B's feedback to the initial message in order to determine how the direction was interpreted. The final part of this process is the discipline step. A provides B with an incentive for complying with the initial direction. If B has responded appropriately, he or she might receive some sort of reward. However, if B has performed in an unsatisfactory manner, A will provide some sort of punishment in an attempt to correct B's behavior. The theory explains why internal controls and checks are important in any organization. Thus in the context of the current study, the theory justifies why having internal controls would enhance the effectiveness and accountability in financial management.

EMPIRICAL REVIEW

The section presents a review of literature on the studies done on the factors contributing to efficiency in finance management in public institutions. The section reviews literature related to records management, and internal monitoring and controls.

Records Management and Effective Financial Management

The records themselves form a part of or provide evidence of administrative and operational transactions. The records are subsequently maintained as evidence by those responsible for the transactions, who keep the records for their own future use or others with a legitimate interest in the records, such as Auditors (Barata, Cain & Routledge, 2011). Records come in a variety of media. Many are still created on paper, for example, correspondence, vouchers, contracts and supporting documentation. Information may also be recorded on paper in ledgers, journals and registers, or they may be in the form of computer printouts. Such records may be hand-written, hand-drawn, typed or printed. Increasingly, computers create financial records, and they may only exist in electronic format. Electronic mail is a form of record.

Record keeping is a fundamental activity of public administration. Without records there can be no rule of law and no accountability. Public servants must have information to carry out their work, and records represent a particular and crucial source of information. Records provide a reliable, legally verifiable source of evidence of decisions and actions. They document compliance or non-compliance with laws, rules, and procedures.

Barata, et al (2011) further stated that financial records should have four important qualities or characteristics. That is, records are fixed, have authority, unique and are authentic. Records management involves the management of records from creation and capture, through to maintenance and use and their ultimate transfer to an archive or destruction. Consolidated financial records and a summary of statements are critical for transparency in the PFM system (PEFA 2005). The statements need to be understandable and provide information in a consistent manner. For quite some time the Public Sector Committee of the International Federation of Accountants (IFAC) established a set of public sector accounting standards for General Purpose Financial Statements (GPFS), prepared on either a cash or accrual basis. Differences between International Public Sector Accounting Standards (IPSAS) and statistical bases of financial reporting have also been analyzed and recommendations for convergence made (IFAC, 2005).

The debate on the use of the accrual basis in the public sector has a long history. In the context of NPM reforms, with their emphasis on performance, a need was identified to introduce the accrual basis in order to encompass accounting and reporting on the allocation and use of total economic resources (both cash and non-cash) at the disposal of managers (OECD, 1993). Diamond (2002) has been of a contrary opinion that rejects any assumption that performance budgeting requires accrual accounting. According to OECD (2002) accrual accounting cannot be introduced successfully without accrual budgeting. In a recent approach by OECD, the IMF, and the World Bank, and by some international accounting bodies, such as IFAC, countries have been strongly encouraged to adopt the accounting system generally used by the private sector: accrual accounting (Boothe, 2007). However, even after almost two decades, questions remain; whether the accounting needs of the public sector, which revolve around democratic accountability, are well served by private sector-based accounting that revolve around financial performance and profitability (Boothe, 2007).

Forgoing discussions on records management, accounting and reporting in the public sector have failed to acknowledge that cash and accrual accounting are not mutually exclusive concepts, but rather opposite ends of a spectrum. Accrual accounting is a means not an end in itself (Athukorala & Reid, 2003). Based on lessons drawn from OECD countries, important lessons from the introduction of accrual accounting in OECD countries Athukorala and Reid (2003) revealed that good accounting practices in the public sector requires a culture change and needs to link with wider public sector management reforms. It is also based on carefully planned implementation, greater accountancy skills and appropriate IT systems for communication.

Allen and Tommasi (2001) lists the principles of good public finance records management and reporting as completeness, legitimacy, user-friendliness, reliability, relevance, consistency, timeliness, comparability and usefulness. The need for timely, accurate and complete reporting is the basis for two performance indicators in the PEFA framework (PEFA 2005). The implicit assumption for non-production of timely reports is lack of capacity, but no research could be found to verify this assumption.

A study conducted by Abdul-Rahamon (2014)to analyses the impact of accounting records keeping on the performance of the small scale enterprises in Nigeria revealed a strong positive relationship between accounting record keeping and performance of small scale enterprises. This finding implies that accounting record keeping affects performance of small scale business. The study further established that accounting record keeping was essential for decision making. Business adjustment and records also help to improve business efficiency. Although this study focused on records management in the context of small scale private businesses, it brought out the relationship. The current study will be assessing records management in the public sector which borrows heavily from the private sector enterprises.

Internal Monitoring and Controls and Effective Financial Management

According to Requena (2006) Public Internal Financial Control plays a key role in ensuring sound financial management in public administrations and is thus a key objective for most governments. The concept of Public Internal Financial Control has been developed by the European Commission in order to provide a structured and operational model to assist national governments in re-engineering their internal control environment and in particular to upgrade their public sector control systems in line with international standards.

Modern internal control is focused on transparency, both in terms of clear lines of responsibility and in terms of harmonized methodology and standards. Transparency is a manifestation of the principle of the government being held accountable towards the public that has elected it to raise income and spend on its behalf. Public internal control is preventive in nature and aims to ensure that adequate systems are in place to thwart as much as possible the occurrence of corruption and fraud. Budget and spending centres should be equipped with a functionally independent internal auditor in order to support management through the provision of objective assessments of the internal control systems in place. The auditor's role is to assess the adequacy of the internal control systems that have been put in place by management, to highlight weaknesses/provide recommendations for improvement where necessary (Requena, 2006).

Effective internal controls are essential for the integrity of the overall PFM system, yet there is surprisingly little discussion on this topic. Technical guidelines on internal controls standards were prepared in 1992 and revised in 2004 (INTOSAI, 2004). These guidelines set out a framework for internal controls including the objectives and five main components of internal control, which are the control environment, risk assessment, control activities, information and communication and monitoring. Importantly, the guidelines stress that all personnel in an organization play an important role in making internal control work.

Reforms in developing countries have tended to concentrate on control activities, particularly the introduction of automated expenditure commitment controls. There appears also to be very limited references to the safeguarding of assets and information, both of which are of particular relevance in conflict or disaster-prone environments. The overall control environment as also received only limited attention, although recent Ghanaian and UK audit reports have cited improvements in management oversight as a key requirement for reducing fraud and corruption (Dorotinsky & Pradhan 2007). In the 2001 and 2004 HIPC assessments, internal control has shown the least progress. There does not appear to be a lot of research on the reasons for this lack of progress in internal control reforms.

Internal audit (IA) receives significantly more attention, both in the literature and in reform efforts. In the UK and Northern Europe, reforms have mirrored the changes in managerial accountability. Over the last 30 years, IA has been reorganized from a 'turn and tick' to a system-based approach, providing management with advice and assurance. This organizational model is not universally applied, and other countries in the OECD (particularly continental Europe) retain third party *ex ante* type functions (Diamond 2002).

For developing countries, there is considerable debate as to the most appropriate structure and functions; some argue that there is still a need for a centralized function with a continuing role in compliance and regularity (Diamond 2002, Hepworth 2004). Others, although recognizing the time and indeed the change in culture required, still argue that a more independent system-based audit is the way forward (Rameesh, 2003). The professional standards for internal auditing, which cover independence, professional proficiency, scope of coverage, performance of audit work and management of audit department, support this view.

Although IA is recognized as an important function in the 'fight' against corruption, there appears to be comparatively little written on how effective follow-up of recommendations can be achieved. However, experience in South Africa and Kenya suggests that IA achieves better results when working together with management rather than in a more confrontational or policing role (Van Gansberghe, 2005).

Prawitt, Smith, and Wood (2008) in a study conducted to assess the internal audit quality and earnings management revealed that the increase in accounting scandals in recent years has led internal audit function to receive sharp attention as an important contributor to effective corporate governance and financial reporting, because a high quality internal audit function focused on improving financial reporting through ensuring standard compliance.

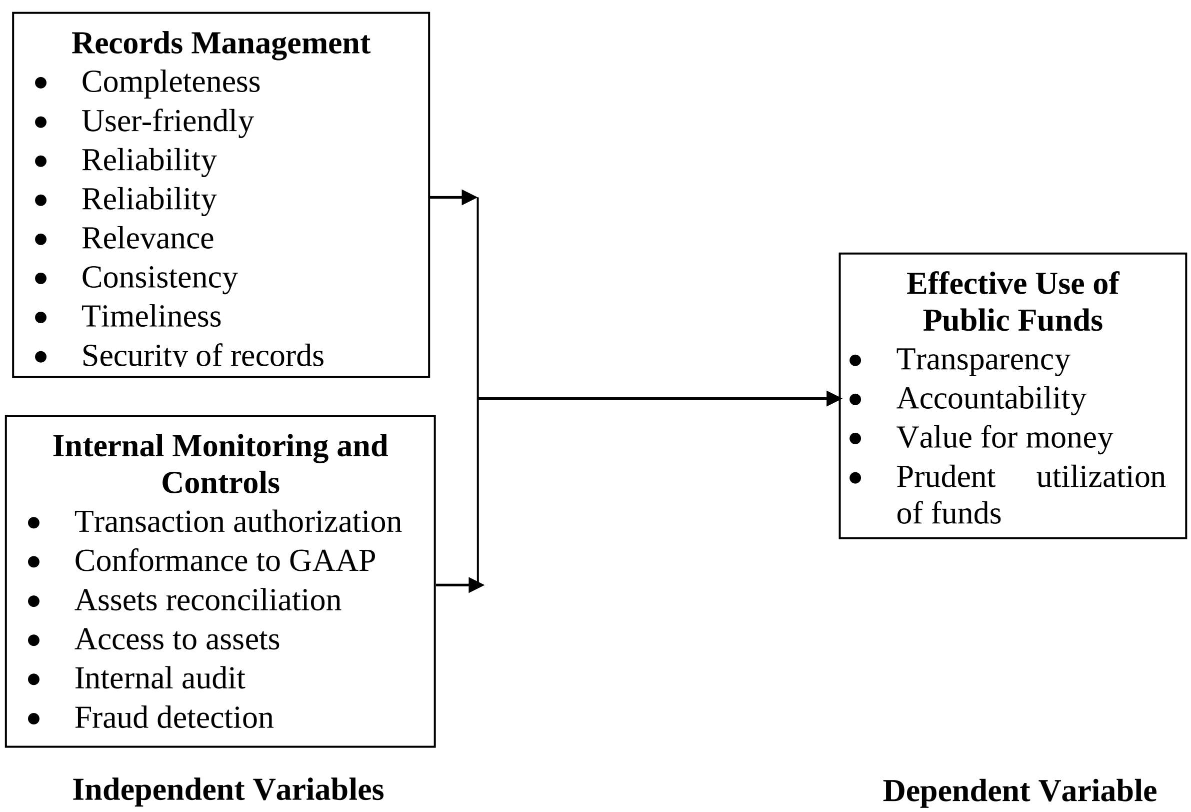
Many scholars have tried to conceptualize the assessment of internal audit functions based on its effectiveness. Arena and Azzone (2009) defined effectiveness as the capacity to obtain results that are consistent with targets objective, while, Dittenhofer (2001) view effectiveness as the ability toward the achievement of the objectives and goals. In the same context, a program can be seen as effective if its outcome goes along with its objectives (Mihret, James, & Joseph, 2010). Thus Badara and Saidin (2013)view internal audit effectiveness as the ability of the internal auditor to achieve the established objective within the local government. The current study borrows from the forgoing definitions in assessing the effectiveness of the internal controls and audit functions of the Nakuru County Government.

A study carried out by Ahmad, Othman, and Jusoff (2009) on the effectiveness of internal audit in Malaysian public sector, using simple percentage for data analysis found the lack of audit staff was ranked as the major problem faced by internal auditors in conducting an effective internal auditing. Likewise, Theofanis, Drogalas and Giovanis, (2011) examine the relationship between element of internal control system and internal audit effectiveness and the result of the study reveal positive relationship between the two relationships. Even though the studies used only 52 Hotels in Greek as a sample and mail survey for data collection, at conclusion they suggested that if future studies should carry out research on internal audit effectiveness with large sample, the result will be better than their own. Feizizadeh (2012) carried out study on strengthening internal audit effectiveness and found that most of the companies measure and quantify the performance and effectiveness of their business activities.

Looking at the studies by (Prawitt, Smith, & Wood, 2008; Ahmad et al., 2009; Theofanis et al., 2011; Feizizadeh, 2012) on internal audit and controls, there is evidence that internal controls has an effect on financial performance. However, the studies consider the effectiveness of internal audit at company's level, hotels and banks ignoring such effectiveness in the public sectors especially local government level. In this vein, this study extends the studies by examining internal controls and finance management in the County Government of Nakuru.

Conceptual Framework

Figure 1: Conceptual Framework



As indicated in Figure 1, there are two independent variables which are records management and internal monitoring and controls. Effective use of public funds is the dependent variables. Legal and regulatory framework constitutes the intervening variable. It had been hypothesized that the foregoing independent variables influences the dependent variable. More so, it was presumed that the aforesaid relationship was confounded by the stated legal and regulatory framework. The study conceptualizes that effective public financial management in the counties is determined by a number of factors. The management of financial records enables proper accountability and follow-up of transactions by the audit team and the public in general thus enhancing efficiency in finance management. A majority of the transactions and records management activities in the county government are performed by individuals. Thus, having a competent finance staff is a prerequisite for effective use of finances. Internal monitoring and controls ensures that the activities of the finance team are put into check and where discrepancies are observed, corrective actions are made. Thus having functional and efficient internal control team plays a critical role in effective finance management in the counties.

METHODOLOGY

Research Design

This study used explanatory research design. Gravetter and Forzano (2003) states that, explanatory design is used to connect ideas and to understand cause effect relationships. The design involves gathering data, describing the existing conditions, identifying the standards against which existing conditions can be compared and determining the relationship that exists between specific events (Orodho, 2005). This study was designed to analyze financial management practices on effective use of public funds in the county government of Nakuru. The study involved collection of data about four selected factors, classification of data, analysis, comparison and interpretation of data, guided by theories, so as to meet the objectives of the study. According to Kombo and Tromp (2006) this was best implemented using an explanatory research.

Target Population

The target population for this study was made up of all the 293 staff under the Nakuru County Treasury involved in the management of finances. These included the Finance Director, Principal Accountant, Internal Audit team, Accountants and Accounts Clerks. They are involved in day to day activities on financial management, thus they have the necessary information on the factors affecting effective use of finances. The study covered staffs at the County headquarter and all the 11 Sub-Counties. Distribution of the target population is as shown by the sampling frame (Table 1).

Sampling Frame

The sampling frame is the list of study subjects from which the study sample is picked. Sampling frame for the study was obtained from the payroll register of the Nakuru County Treasury. The payroll provided all the list of the staffs and their designations and contacts thus a list of the targeted staffs in finance was extracted. The sampling frame is shown in Table 1.

Table 1: Sampling Frame

Staff Category	Target Population
Finance Director	1
Principal Accountant	1
Finance administrator	1
Internal Auditors	22
Accountants at the head office	17
Accountants Heading Sub-county offices	27
Accounts Clerks	224
Total	**293**

Sample and Sampling Technique

The study used stratified random sampling technique to select staffs from each category to participate. The population was divided into seven strata based on the staff categories in the County Treasury. The overall sample size was proportionately allocated between the seven staff categories. Random sampling technique was applied under each stratum. According to Graveterand Forzzano (2003), stratified random sampling has a higher statistical precision compared to simple random sampling. This is because the variability within the subgroups is lower compared to the variations when dealing with the entire population. Because this technique has high statistical precision, it also means that it requires a small sample size which can save time, money and effort of the researchers especially in academic research hence it is preferred in this study. The sample size was determined using the formula by Nassiuma (2000) as shown below.

$$n = \frac{Ncv^2}{cv^2 + (N-1)e^2}$$

Where:

n= Sample size

N= Population

C_v= Coefficient of variation (take 0.5)

e= Tolerance at desired level of confidence, take 0.05 at 95% confidence level

Therefore:

$$n = \frac{293 * 0.5^2}{0.5^2 + (293 - 1)0.05^2}$$

n = 74

Therefore, the sample size was 74. The sample distribution across strata was obtained proportionately as follows:

$$n_i = (\frac{n}{N})N_i$$

Where:

n= Sample size

N= Population

$n_{i=}$Sample of strata i

$N_{i=}$Population of Strata i

This was allocated proportionately as shown in Table 2.

Table 1: Sample Distribution

Staff Category	Target Population	Sample Size
Finance Director	1	1
Principal Accountant	1	1
Finance administrator	1	1
Internal Auditors	22	5
Accountants at the head office	17	4
Accountants Heading Sub-county offices	27	6
Accounts Clerks	224	56
Sub Total	**293**	**74**

Research Instrument

In order to analyze financial management practices on effective use of public funds in the county government of Nakuru, self-administered questionnaires were issued among sampled staffs. Questionnaires allow collection of primary data from a large number of subjects and provide for investigation with an ease of accumulation of data (Graveter & Forzano, 2003). One set of a structured questionnaire was administered to the Finance Director, Principal Accountant, Finance Administrator, Internal Auditors, Accountants and Accounts Clerks. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open ended questions provided additional information that could not be captured in the close ended questions.

Data Collection Procedure

Before conducting this research authorization letter from the University was obtained. The researcher then visited the County Public Service office to request for authorization to administer questionnaires. The authority letter clearly indicated research area, purpose of research, and expected end date. The questionnaires were then administered using the drop and pick method. Staffs issued with questionnaires were given one day to complete before they were collected.

Pilot Test

According to Mugenda and Mugenda (2003), a research instrument is termed as reliable if it yields consistent results after repeated trials. Reliability of the questionnaire was achieved by administering pilot questionnaires to selected middle level staff of Nakuru County. The rule of the thumb suggests that 5% to 10% of the target sample should constitute the pilot test (Cooper & Schilder, 2011). Thus in the current study, 10% was selected which represents 7 questionnaires. Results from the pilot study were excluded from the main study. Selection was carefully done not to include staffs who would participate in the actual study. Pilot questionnaires were then analyzed using Cronbach reliability coefficient in the Statistical Package for Social Sciences (SPSS, 21.0) as shown in Table 3.

Table 2: Reliability Test Results

Variables	**Number of Tests**	**(α)**
Records Management	14	0.930
Internal Monitoring and Controls	10	0.930
Effective funds utilization	7	0.916
Overall	**31**	**0.925**

An overall reliability coefficient of 0.925 was obtained for the instruments. The judgment on reliability of instruments was informed by Fraenkel and Wallen (2000) who stated that an alpha value of 0.7 and above is considered suitable to make group inferences that are accurate enough. Thus the instruments were found to be reliable.

To ensure validity in this study, an item analysis was done to see whether the objectives and items in the instruments measured actually what the study intended to do. Validity test were computed using Content Validity Index (CVI) basing on four (4) point scale of relevant, quite relevant, somehow relevant and not relevant. The proportion of relevant and quite relevant was computed from three experts as advised by Adams, Jackson and Marshall (2007). In this study the three experts included research supervisor, and other two lecturers of finance at the university. All the proportions were above 0.5 which indicated that the questions were relevant to the study variables.

Data Processing and Analysis

Data analysis involved cleaning, sorting, coding and entry of raw data into statistical software for the purpose of analysis and interpretation by use of SPSS. For this study, quantitative data was analyzed in two stages; descriptive statistics that is mean, mode and standard deviation were used to determine the distribution of responses on individual items in the questionnaire. These findings were then presented using tables for every objective. Finally to determine the relationship between variables, inferential statistics were used. Regression analysis was used to determine the relationship between the independent variables and the dependent variable.

The regression model used is as shown below:

$Y = \beta_0+\beta_iX_i+\beta_{ii}X_{ii}+\varepsilon$

Where;

Y = Effective use of public funds

β_i, β_{ii} = Coefficient of the Independent Variables

X_i =Records Management

X_{ii} = Internal Monitoring and Controls

β_0 = Constant

ε = Error term

ANALYSIS AND FINDINGS

Response Rate

A total of 74 questionnaires were issued to the sampled respondents. Out of this figure, 69 were filled appropriately and returned. This represented 93.24% response rate which was deemed adequate. The high response rate was attributed to the fact that the questionnaires were administered by the researcher in person.

Records Management and Utilization of Public Funds

The study was analysis of four factors believed to have an influence on the utilization of finances in the county government of Nakuru. The first factor under consideration was the records management practices. Opinions of treasury staff on records management were determined on a five point scale of 'SA – Strongly agree', 'A – Agree', NAD – Neither Agree nor Disagree, 'D – Disagree' and SD – Strongly Disagree. These were scored on a five point scale of 5 – 1 respectively. The responses of treasury staffs are presented and analyzed on Table 4.

Table 4: Records Management and Utilization of Public Funds

Statements	**SA**	**A**	**NAD**	**D**	**SD**	**Mean**	**SD**
Our department has all relevant financial records as required by the law	17 (24.6)	37 (53.6)	5 (7.2)	6 (8.7)	4 (5.8)	3.8	1.08
Financial records are tamper proof	9 (9.0)	38 (55.1)	11 (15.9)	10 (14.5)	1 (1.4)	3.6	0.95
All used receipt books are accounted for	27 (39.1)	28 (40.6)	7 (10.1)	6 (8.7)	1 (1.1)	4.1	0.99
Financial records are designed based on the Governments Accounting Regulations	28 (40.6)	33 (47.8)	3 (4.3)	3 (4.3)	2 (2.9)	4.2	0.93
All financial documents are countersigned by the relevant authorities	25 (36.2)	34 (49.3)	4 (5.8)	3 (4.3)	3 (4.3)	4.1	1.00
Creation of the records is done based on IPSAS	21 (30.4)	36 (52.2)	7 (10.1)	4 (5.8)	1 (1.4)	4.0	0.88
All transactions are captured in records as per the requirements in the PFMA	23 (33.3)	31 (44.9)	8 (11.6)	5 (7.2)	2 (2.9)	4.0	1.01
Financial records are kept safe	28 (40.6)	30 (43.5)	7 (10.1)	3 (4.3)	3 (4.3)	4.1	1.03
Records are used appropriately and returned to their respective positions always	16 (23.2)	35 (50.7)	6 (8.7)	11 (15.9)	1 (1.4)	3.8	1.03
There is defined period after which documents are transferred to the archives	12 (17.4)	33 (47.8)	13 (18.8)	8 (11.6)	3 (4.3)	3.6	1.04
There is a defined procedure for destruction of irrelevant and filled up accounting materials	8 (11.6)	30 (43.5)	18 (26.1)	11 (15.9)	2 (2.9)	3.4	0.99
Our office maintains both physical and electronic copy of all financial records.	17 (24.6)	36 (52.2)	8 (11.6)	6 (8.7)	2 (2.9)	3.9	0.98
The records used are complete in form and content	14 (20.3)	41 (59.4)	7 (10.1)	5 (7.2)	2 (2.9)	3.9	0.92
The records are kept consistent	16 (23.2)	36 (52.2)	10 (14.5)	7 (10.1)	0 (0.0)	3.9	0.88

The study as shown in the Table 4 revealed that a majority (53.6%) of the respondents agreed that the departments in the County Government of Nakuru have all the relevant financial records as required by the law. Additionally, 24.6% of the respondents strongly agree, 7.2%, 8.7%, and 5.8% of the respondents were neutral, disagreed, and strongly disagreed respectively. The study revealed that a majority (55.1%) of the respondents agreed that the financial records in the County Government of Nakuru are tamper proof. Additionally, 9% of the respondents strongly agree. 15.9%, 14.5%, and 1.4% of the respondents were neutral, disagreed, and strongly disagreed respectively.

Further, the study revealed that a majority (40.6%) of the respondents agreed that all used receipt books were accounted for. Additionally, 39.1% of the respondents strongly agreed. 10.1%, 8.7%, and 1.1% of the respondents were neutral, disagreed, and strongly disagreed respectively. The study also revealed that a majority (47.8%) of the respondents agreed that financial records are designed based on the governments accounting regulations. 40.6% of the respondents strongly agreed. Further, 4.3%, 4.3%, and 2.9% of the respondents were neutral, disagreed, and strongly disagreed respectively.

Regarding the endorsement of financial records, the study revealed that 49.3% of the respondents agreed that the relevant authorities countersign all financial documents. 36.2% of the respondents strongly agreed. Further, 5.8%, 4.3%, and 4.3% of the respondents were neutral, disagreed, and strongly disagreed respectively. The study further revealed that a majority (47.8%) of the respondents agreed that financial records are designed based on the governments accounting regulations. 40.6% of the respondents strongly agreed. Further, 4.3%, 4.3%, and 2.9% of the respondents were neutral, disagreed, and strongly disagreed respectively.

The study revealed that 52.2% of the respondents agreed that creation of the records is done based on the International Public Sector Accounting Standards (IPSAS). 30.4% of the respondents strongly agreed. Further, 10.1%, 5.8%, and 1.4% of the respondents were neutral, disagreed, and strongly disagreed respectively. Majority of the finance staffs were in agreement that: financial records were kept safe, records were used appropriately and returned to their respective positions always, There were defined period after which documents are transferred to the archives. There was a defined procedure for destruction of irrelevant and filled up accounting materials. The treasury office maintained both physical and electronic copy of all financial records, the records used were complete in form and content and that the records kept are consistent. The rest of the analysis is also interpreted as shown in the table 4.6 above.

Rating on Financial Records Management at the County

The study aimed at assessing how the respondents would rate the financial records management at the County Government of Nakuru. Therefore treasury staffs were asked to rate the financial records management practices in the County Government as shown on the findings of Table 5.

Table 5: Rating on Financial Records Management at the County

	Frequency	Percent
Very Poor	5	7.2
Poor	3	4.3
Fair	21	30.4
Good	32	46.4
Very Good	8	11.6
Total	69	100.0

Table 5 showed that 46.4% of the respondents stated that the management of financial records was good. Further, 11.6% of the respondents were of the opinion that the financial record management at the County of Nakuru was very good. Again, 30.4%, 4.3% and 7.2% of the respondents stated that the financial records management was fair, poor and very poor respectively. From the above, it is clear that most of the respondents were satisfied with the financial record management process employed at their work place.

Internal Monitoring and Controls on Effective use of Public Funds

The second factor under investigation in the study was the internal monitoring and controls and how it impacted on effective use of public funds (Table 6).

Table 6: Internal Monitoring and Controls and Financial Management of Public Funds

Statements	SA	A	NAD	D	SD	Mean	SD
Transactions are executed in accordance with management's authorization	12 (17.4)	45 (65.2)	7 (10.1)	5 (7.2)	0 (0.0)	3.93	0.75
All the government transactions are recorded	12 (17.4)	42 (60.9)	8 (11.6)	7 (10.1)	0 (0.0)	3.86	0.83
Financial statements and reports are prepared in conformity with GAAP	20 (28.9)	38 (55.1)	6 (8.7)	4 (5.8)	1 (1.4)	4.01	0.86
Accountability of County Assets is ensured at all times	9 (13.0)	34 (49.3)	15 (21.7)	8 (11.6)	3 (4.3)	3.55	1.01
Access to the County Assets is permitted in line with management's authorization	7 (10.1)	41 (59.4)	11 (15.9)	7 (10.1)	3 (4.3)	3.61	0.96
Recorded Accountability for Assets is compared with the Existing Assets at reasonable intervals	9 (13.0)	36 (52.2)	14 (20.3)	7 (10.1)	3 (4.3)	3.59	0.99
There is a functional Internal Audit team in place	14 (20.3)	38 (55.1)	9 (13.0)	5 (7.2)	3 (4.3)	3.80	0.99
The Internal Audit function operates independently	14 (20.3)	32 (46.4)	11 (15.9)	8 (11.5)	4 (5.8)	3.64	1.11
Value for money is ensured in all procurements	11 (15.9)	26 (37.7)	12 (17.4)	14 (20.3)	6 (8.7)	3.32	1.22
There are mechanisms of follow up and detecting fraudulent transactions	6 (8.7)	35 (50.7)	11 (15.9)	7 (10.1)	10 (14.5)	3.29	1.21

The results, as shown in Table 6 revealed that 65.2% of the respondents agreed that the Transactions are executed in accordance with management's general or specific authorization with 17.4% strongly agreeing. 0% of the respondents strongly disagreed with 10.1% and 7.2% remaining neutral and disagreeing respectively. The 17.4% who strongly agreed is an indicator that transactions were done appropriately. In the recording of government transactions, the results revealed that 60.9% of the treasury staffs were in agreement that all the government transactions were recorded as necessary with 17.4% strongly agreeing. 0% of the respondents strongly disagreed with 11.6% and 10.1% remaining neutral and disagreeing respectively.

Majority of the treasury staff who took part in the study agreed that: accountability of in county assets was ensured at all times, further access to the county assets was permitted in line with management's authorization. There were mechanisms of follow up and detecting fraudulent transactions. A majority also agreed that there was a functional Internal Audit team in place and that the internal Audit function operated independently. Value for money is ensured in all procurements according to majority of treasury. The rest of the analysis is also interpreted as shown in the table above.

Utilization of Public Funds in Nakuru County Government

The study was assessing the factors that influence the effective utilization of public funds in the County Government of Nakuru. Therefore it was necessary to determine how effective fund were managed in the County Government based on opinions of the county treasury staff. Their rating on effectiveness is presented in Table 7.

Table 7: Effective Utilization of Public Funds

Statements	SA	A	NAD	D	SD
There is transparency in the management of funds in the county government	7 (10.1)	33 (47.8)	10 (14.5)	13 (18.8)	6 (8.7)
The value for money is ensured at all times in the projects	10 (14.4)	24 (34.8)	14 (20.3)	14 (20.3)	7 (10.1)
Budget allocations are based on accurate previous financial data	8 (11.6)	32 (46.4)	15 (21.7)	9 (13.0)	5 (7.2)
There is timely approval and release of funds for County Projects	4 (5.7)	21 (30.4)	13 (18.8)	19 (27.5)	12 (17.4)
There is prudent utilization of funds in all the sectors of the County	2 (2.9)	25 (36.2)	18 (26.1)	17 (24.6)	7 (10.1)
The County is able to detect improper use of funds internally	6 (8.7)	36 (52.2)	8 (11.6)	15 (21.7)	4 (5.8)
Disciplinary actions are taken against staff found not to utilize the County funds well	11 (15.9)	23 (33.3)	14 (20.3)	14 (20.3)	7 (10.1)

It was established that majority of the respondents (47.8%) agreed that there was transparency in as far as the management of funds in the County Government of Nakuru is concerned. In addition, 10.1% of the respondents strongly agreed that there was transparency in the management of funds in the county. Those who had a contrary opinion include 18.8% and 8.7% that disagreed and strongly disagreed. From the table above, 34.8% of the respondents agreed that the value for money at the County of Nakuru is ensured at all times in the projects. 14.8% of the respondents strongly agreed with 20.3% fairly agreeing. Those with a contrary opinion include 20.3% and 10.1% that disagreed and strongly agreed in as far as the value for money is ensured at all times in the projects by the County Government.

A majority of 46.4% of the respondents agreed that the County Government of Nakuru allocated budget based on accurate previous financial data. Further, 11.6% of the respondents strongly agreed while 21.7% fairly agreed. 13% and 7.2% of the respondents were of the opinion that budget allocations in the County Government of Nakuru were not based on accurate previous financial data. Further 30.4% and 5.7% agreed and strongly agreed in as far as timely approval and release of funds for county project in the County Government of Nakuru is concerned. In addition, 27.5% and 17.4% of the respondents disagreed and strongly disagreed.

The study revealed that 36.2% and 2.9% of the respondents agreed and strongly agreed that there is prudent utilization of funds in all the sectors of the County of Nakuru. 26.1% of the respondents fairly agreed with 24.6% and 10.1% of the respondents disagreeing and strongly disagreeing that there is prudent utilization of funds in all the sectors of the county. A majority (52.2%) of the respondents also agreed and 8.7% of the respondents strongly agreeing that the County of Nakuru is able to detect improper use of funds internally. Further, 11.6% of the respondents fairly agreed with 21.7% and 5.8% of the respondents disagreeing and strongly disagreeing that the County is able to detect improper use of funds internally.

The study also revealed that 20.3% of the respondents disagree that disciplinary actions are taken against staff found not to utilize the County funds well. An equal percentage of respondents also fairly agreed that disciplinary actions are taken against staff found not to utilize the County funds well with 10.1% of the respondents strongly disagreeing. A majority (33.3%) of the respondents agreed with 15.9% strongly agreeing that disciplinary actions are taken against staff found not to utilize the County funds well

Relationship between Financial Practices and Effective use of Public Funds

In determining the relationship between the factors under investigation and effective use of public funds in the County Government of Nakuru a multiple regression analysis was performed between the predictor factors (Records Management, Finance Staff Capacity, Internal Monitoring and Control and ICT Adoption) and the dependent variable (effective use of public funds). Table 8 presents the regression model summary.

Table 8: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866[a]	.749	.732	.48001

a. Predictors: (Constant), ICT Adoption, Finance Staff Capacity, Internal Monitoring and Control, Records Management

The coefficient of determination (R^2) explains the extent to which changes in the dependent variable can be explained by the change in the predictor variables or the percentage of variation in the dependent variable (effective use of public funds) that is explained by all four predictor variables (Records Management, Finance Staff Capacity, Internal Monitoring and Control and ICT Adoption). The results indicate that an R^2 = 0.749 which implies that the financial management practices under investigation (records management, and internal monitoring and control) accounted for 74.9% of the variations in effective use of public funds. To test the significance of the model in explaining the relationship between variables, ANOVA test were done as shown in Table 8.

Table 8: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.290	4	10.323	44.801	.000[a]
	Residual	13.825	60	.230		
	Total	55.115	64			

a. Predictors: (Constant), ICT Adoption, Finance Staff Capacity, Internal Monitoring and Control, Records Management

b. Dependent Variable: Effective use of Public Funds

$F_{(critical)} = 2.04$

The critical F value $F_{(critical)} = 2.04$ while the calculated F value $F_{(4,60)} = 44.801$. Since the calculated F value is greater than the $F_{(critical)}$ this implies that the model would be significant in explaining the purported relationship. Finally the study computed the regression model coefficients shown in Table 9. The regression model coefficients in Table 9 above were used to test research hypotheses.

Table 9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.540	.333		-1.619	.111
	Records Management	-.020	.229	-.015	-.087	.931
	Internal Monitoring and Control	.648	.182	.558	3.561	.001

a. Dependent Variable: Effective utilization of Public Funds

Testing Hypothesis I

H_{01}: Records management does not have a significant effect on effective use of public funds at the County Government of Nakuru.

The regression analysis results shown in Table 9indicated that (β = - 0.020, $p >0.05$). This implies that holding all factors constant, the records management practices in the county government did not have a significant effect on the effective use of public funds at the County Government of Nakuru. The study therefore failed to reject the null hypothesis.

Testing Hypothesis II

The second hypothesis of the study was:

H_{02}: Internal monitoring and controls does not have a significant effect on effective use of public funds in County Government of Nakuru.

An analysis of the relationship between internal monitoring and controls and effective utilization of county governments funds revealed that (β =0.648, $p < 0.05$). This implies that holding all factors constant, the internal controls alone accounted for 64.8% of the variations in utilization of funds. The study therefore rejected the null hypothesis. Since internal monitoring and controls significantly affected the effective use of public funds in County Government of Nakuru.

SUMMARY

The study revealed that a majority of the respondents agreed that the departments in the County Government of Nakuru have all the relevant financial records as required by the law. Majority of respondents agreed that the financial records in the County Government of Nakuru were tamper proof. All used receipt books were accounted for. Financial records were designed based on the governments accounting regulations. Regarding the endorsement of financial records, the study revealed that majority of respondents agreed that the relevant authorities countersigned all financial documents. Financial records were designed based on the governments accounting regulations. Creation of the records to a large extent was done based on the International Public Sector Accounting Standards. Financial records were kept safe, records were used appropriately and returned to their respective positions always, There were defined period after which documents are transferred to the archives. There was also a defined procedure for destruction of irrelevant and filled up accounting materials. The treasury office maintained both physical and electronic copy of all financial records, the records used were complete in form and content and records kept were consistent. These practices cumulatively did not have a significant impact on the utilization of County Government funds. Financial monitoring and controls were found to significantly influence the efficiency in utilization of public funds in the County Government.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that the financial records management practices by the County were rated fairly good. However, records management alone did not have a significant impact on the effective use of County Government of Nakuru funds. The findings revealed fluidity in the financial controls systems in place especially in capturing transactions appropriately. These indicate the existence of loopholes that could be used in diverting the County Government funds owing to weak controls. This also significantly influenced the efficiency in utilization of County Government funds.

There is need for the County Government of Nakuru to integrate its financial records management to ensure tracking of financial information related to the utilization of public funds as well as value for money in financial transactions. The study recommends that the County Government of Nakuru should look at the internal controls mechanisms to track finances from the point of disbursement to the actual execution of the jobs, recording and accounting in a manner that promotes value for money in government transactions.

LIMITATIONS AND FURTHER STUDIES

The study was limited in scope by focusing on the case of Nakuru County alone a situation that may not be applicable in other counties. Thus it may be necessary to undertake similar studies in other counties to accurately generalize the findings to the county governments in Kenya. Secondly, the study was focusing on public finance management in county governments that in the recent past have come under sharp criticism on handling public funds. Therefore it was informed by the audit reports by the office of office of controller of budget and the office of the auditor general. The study experienced limited disclosure especially on the manner in which public funds were being utilized for fear of victimization of respondents especially the junior officers. The study therefore focused on the staff opinion rather than eliciting figures on the utilization of funds. Although this approach did not give quantitative figures, it provided insight on the finance management practices and the factors.

There is need to carry out research on other County Governments on this topic in order to evaluate their effectiveness in the use of public funds and hence put the necessary measures in place where there are deviations.

REFERENCES

Abdul-Rahamon, O. (2014). The analysis of the impact of accounting records keeping on the performance of the small scale enterprises. *International Journal of Academic Research in Business and Social Sciences,4*(1) 1 – 17.

Adams, J., Jackson, L. & Marshall S. (2007). Bibliometric analysis of interdisciplinary research. *Report to the Higher Education Funding Council for England*, http://www.hefce.ac.uk/ pubs/rdreports /2007/ rd19_07/ accessed 13th August 2015.

Ahmad, N., Othman, R. & Jusoff, K. (2009). The effectiveness of internal audit in Malaysian public sector. *Journal of Modern Accounting and Auditing,* 5(9), 784-790.

Allen, R. & Tommasi, D. (2001). *Managing Public Expenditure: A Reference Book for Transition Countries*. Paris: OECD.

Arena, M. & Azzone, G. (2009). Identifying organizational drivers of internal audit effectiveness. *International Journal of Auditing,* 13, 43–60.

Athukorala, S. & Reid, B. (2003). *Accrual Budgeting and Accounting in Government and its Relevance for Developing Member Countries.* Manila: ADB.

Auditor General (2015). *Report of the Auditor-General on the Financial Statements of Nakuru County Government for the Sixteen (16) Months Period Ended 30 June 2014.* Nairobi: Auditor General's Office.

Badara, M. Saidin, S. (2013). Impact of the Effective Internal Control System on the Internal Audit Effectiveness at Local Government Level. *Journal of Social and Development Sciences,4*(1), 16-23.

Boothe, P. (2007). Accrual Accounting in the Public Sector: Lessons for Developing Countries.In Shah, A. (2007) *Budgeting and Budgetary Institutions.* Washington: World Bank.

CIPFA (2010). *Finance competencies for public services: Shaping the finance function to meet new and future challenges*. London: Chartered Institute of Public Finance and Accountancy

Cooper, R., & Schindler, P. (2011). *Business Research Methods,* 11th, edition. McGraw-Hill Publishing, Co. Ltd. New Delhi-India.

CRA (2013). *Commission on Revenue Allocation*, Retrieved on 15 Nov 2015. From: http://www. cickenya.org/ cicoldsite/ bills/*commission-revenue-allocation*-act-.

Diamond, J. (2002). *The Role of Internal Audit in Government Financial Management: An International Perspective* (WP/02/94) Washington: IMF.

Dittenhofer, M. (2001). Internal auditing effectiveness: An expansion of present methods. *Managerial Auditing Journal,* 16(8), 443 – 450.

Dorotinsky, W. & Pradhan, S. (2007). *Exploring Corruption in Public Financial Management*. In Campos, J.E. and Pradhan, S.ed. *The Many Faces of Corruption*. Washington: World Bank.

Feizizadeh, A. (2012). Strengthening internal audit effectiveness. *Indian Journal of Science and Technology*, 5(5), 2777- 2778.

Fraenkel, J. & Wallen, N. (2000). *How to Design and Evaluate Research in Education.* New York: McGraw-Hill Publishing Co

Gravetter, R., & Forzano, S. (2003). *Research Methods for Behavioral Sciences*. Belmont: Wardsworth.

Hepworth, N. (2004). *Is the modern risk based approach to public sector internal audit really appropriate for countries with less developed systems and less well trained public officials?* London: CIPFA.

IFAC (2012). *International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence*. New York: International Federation of Accountants.

INTOSAI (2004). *Guidelines for Internal Control Standards for the Public Sector*. INTOSAI: Vienna.

Kombo, D., & Tromp, D. (2006). *Proposal and. Thesis Writing*. Nairobi: University of. Nairobi Press.

Mihret, D. G., James, K. & Joseph, M. M. (2010). Antecedents and organizational performance implications of internal audit effectiveness: some propositions and research agenda. *Pacific Accounting Review,* 22(3), 224 – 252.

Mugenda, A., & Mugenda, O. (2003). *Research methods: Quantitative & Qualitative Approaches*. Nairobi: African Center for Technology Studies.

NARA (2003). *Big Bucket Theory in Records Management*. New York:National Archives and Records Administration

Nassiuma, D. (2000). *Survey sampling: Theory and methods*. Njoro, Kenya: Egerton University Press.

Nyanjom, O. (2011). Devolution in Kenya's new Constitution*. Constitution Working Paper Series No. 4.* Nairobi: Society for International Development

OECD. (1993).*Accounting for What? The Value of Accrual Accounting to the Public Sector.* Paris: OECD

OECD. (2002). Accrual Accounting and Budgeting: Key Issues and Recent Developments.*OECD Journal on Budgeting, 3(1)*

OECD. (2011). *Dedicated Public-Private Partnership Units: A Survey of Institutional and Governance Structures*: OECD Publishing

Orodho, A. (2005). *Education and Social Science Research Methods*. Nairobi: Musola Publishers.

PEFA. (2005). *Public Financial Management: Performance Measurement Framework*. Washington: PEFA Secretariat, World Bank.

Prawitt, D., Smith, J. & Wood, A. (2008). Internal audit quality and earnings management. *Institute of Internal Auditors Research Foundation*, 3, 1-42.

Pretorius, C & Pretorius, M. (2008). *Design and Management of Public Financial Management Reforms*. Unpublished background paper for the Afritac retreat on the Design and Management of Public Financial Management Reforms.

Prud'homme, R. (2003). Fiscal Decentraization in Africa: A Framework for Considering Reform, *Publication Administration and Development*. 23, 17 – 27

Rameesh, K. (2003). *Best Practices for Internal Audit in Government Departments*. Retreived 26th Nov 2016 From http://www.cgg.gov. in/pdfs/ WP-10-Rameesh%20Kailasam.pdf.

Requena, L. (2006) Public Internal Financial Control. London: European Commission

ROK (2014b). *County Governments Annual Budget Implementation Review Report First Quarter Fy 2014/2015.* Nairobi: Office of Controller of Budget.

ROK .(2012) . *Public Finance Management Act 2012*. Nairobi: Government Printer

ROK .(2014).*County Governments Annual Budget Implementation Review Report Fy 2013/2014.* Nairobi: Office of Controller of Budget.

Theofanis, K., Drogalas, G.,& Giovanis, N. (2011). Evaluation of the effectiveness of internal audit in Greek Hotel Business. *International Journal of Economic Sciences and Applied Research*, 4(1), 19-34.

Tompkins, K., & Cheney, G. (1985). *Communication and unobtrusive control in contemporary organizations.* In R. D. McPhee , ed. & P. K. Tompkins (Eds.), Organizational *communication: Traditional themes and new directions (pp. 179–210).* Newbury Park, CA: Sage.

Van Gansberghe, C. (2005). *Internal Audit: Finding its Place in Public Finance Management*. Washington: World Bank.

World Bank .(2009). *Annual Report 2009.*Retrieved 15th Nov 2015. Fromwww. worldbank.org

World Bank. (2012). *Public Financial Management Reforms in Post Conflict Countries*: Synthesis Report. Paris: World Bank.