PUBLIC FINANCIAL MANAGEMENT REFORM STRATEGIES AND PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA

WILLY KIPNGETICH RUGUTT

A THESIS SUBMITTED TO THE BOARD OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR CONFERMENT OF THE DOCTOR OF PHILOSOPHY DEGREE IN BUSINESS ADMINISTRATION OF THE UNIVERSITY OF KABIANGA

UNIVERSITY OF KABIANGA

2019

DECLARATION AND APPROVAL

Declaration

I declare that this thesis is my original work and has not been presented before in this or any other institution for the conferment/award of degree or diploma.

Signature………………………………………… Date……………………………

Willy Kipngetich Rugutt

PHD/BSA/017/15

Approval

This research thesis has been presented with our approval as the candidate's University Supervisors.

Signature…………………………………………Date ……………………………….

Dr. Isaac Naibei,

Department of Accounting, Finance and Economics,

University of Kabianga

Signature…………………………………………. Date ……………………………….

Dr. Peter Kimutai Cheruiyot,

Department of Accounting, Finance and Economics,

University of Kabianga

COPYRIGHT

No part of this thesis may be reproduced, stored in any retrieval system or transmitted in any form; mechanical, photocopying, recording or otherwise without prior permission from the author or the University of Kabianga.

© WILLY KIPNGETICH RUGUTT

DEDICATION

This thesis is dedicated to my parents; Margaret Cheruse and the late Johnstone Cheruse, my wife; Jessicah, and children; Kipkirui, Chebet, Kibet, Chelangat, Kiprotich, Cheruiyot and Kiplangat.

ACKNOWLEDGEMENT

Pursuing this PhD has been a life-changing experience for me and it would not have been conceivable and achievable without the enormous support and guidance that I received from various persons and institutions during the research period.

First and foremost, I must take this opportunity to thank the Almighty God for the gift of life and the protection He has accorded me, without which everything would not have been possible.

Secondly, I am particularly indebted to my supervisors; Dr Isaac Kiprotich Naibei and Dr. Peter Kimutai Cheruiyot for providing the necessary technical guidance and support towards the attainment of my career goals. Their brilliant contributions, direction, mentorship, insightful as well as meticulous comments and constant feedback have been vital to me, without which this noble achievement would not have been realized. Indeed, I must say a big thank you!

Thirdly, I must appreciate the members of the Board of Graduate Studies of the University of Kabianga for their concrete and insightful comments, suggestions and advice that has provided me with an eclectic personal and professional guidance.

Fourthly, I am extremely grateful to my research assistant; Mr. Kennedy Koech for his technical support in typesetting, formatting and editing of this text.

Similarly, special thanks go to the Management of the University of Kabianga for giving me an opportunity to advance my career through research by providing access to academic resources besides creating an enabling environment for the realization of the same. Last but not least, I would like to express my deepest appreciation to my parents for their immense love, care, constant prayers and a lot of sacrifices they made to ensure that I was educated and prepared for my future. I am also particularly

grateful to my wife and children for their love, understanding, prayers and continued support during the time I was documenting this research report.

ABSTRACT

Over the past few decades, the world has witnessed spectacular transformations of public financial management systems. Locally, Kenya has undertaken critical public financial management reforms over the recent past with the aim of ensuring transparency, accountability, fiscal discipline and prudent use of public resources for improved service delivery. However, the relationship between these reforms and the performance of the devolved units is yet to be established. The purpose of the study was to establish the relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya. The study was motivated by the challenges facing the County Governments in Kenya as per the County Budget Implementation Review Report (2017/2018). The study was guided by the following objectives: to establish the relationship between legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms and the performance of selected County Governments in Kenya. The study was guided by the New Public Management Theory and the Agency Theory. It was anchored on positivism research philosophy. Correlational research design was employed in the study with a target population of 184 treasury staff from Bomet, Kericho, Nakuru and Narok County Governments. The study used purposive sampling to select research participants in each of the four selected County Governments in Kenya. Data were collected using structured, self-administered questionnaires. Reliability of the instrument was established using Cronbach's alpha coefficient of internal consistency. Data was analyzed using descriptive data analysis techniques; mean, mode and standard deviation as well as the inferential statistics; the correlation analysis, regression analysis and ANOVA test analysis. The findings were presented using tables. The results of the study indicated a positive correlation between legal framework reforms and the performance of selected County Governments in Kenya ($r=0.736$). There was also a positive relationship between budgetary reforms and the performance of selected County Governments in Kenya ($r=0.671$). It was further shown that IFMIS reforms is significantly related ($r = 0.799$) with the performance of the County Governments in Kenya. The findings revealed that financial reporting reforms showed statistically significant correlation ($r=0.673$) with the performance of selected County Governments in Kenya. Finally, the outcome of the study showed that audit reforms had a positively significant relationship ($r=0.794$) with the performance of selected County Governments in Kenya. Therefore, it was concluded that public financial management reforms strategy has a statistically significant positive relationship with the performance of selected County Governments in Kenya. It is recommended that the National and County Governments should review the existing legal framework reforms to ensure effective compliance and full implementation. It is also recommended that County Governments should align their budgets to their strategic objectives. Further, it is recommended that IFMIS connectivity should be improved and that staff capacity building should be carried out. Ultimately, it is recommended that adoption of International Public Sector Accounting Standards in financial reporting should be strengthened to ensure optimal performance. The results of the study were considered critical to the National and County Governments as they would be used to steer public financial management reforms towards the enhancement of public financial management practices, further it will facilitate the formulation of a robust policy framework as well as act as a source of information for future academic researchers.

TABLE OF CONTENTS

DECLARATION AND APPROVAL ii

COPYRIGHT iii

DEDICATION iv

ACKNOWLEDGEMENT v

ABSTRACT vii

TABLE OF CONTENTS viii

LIST OF TABLES xii

LIST OF FIGURES xiii

LIST OF ABBREVIATIONS AND ACRONYMS xiv

OPERATIONAL DEFINITION OF TERMS xvi

CHAPTER ONE 1

INTRODUCTION 1

1.1 Overview 1

1.2 Background of the study 1

1.3 The Statement of the Problem 12

1.4 Objectives of the Study 14

1.4.1 General Objective 14

1.4.2 Specific Objectives 14

1.5 Hypotheses 14

1.6 Justification of the study 15

1.7 Significance of the Study 16

1.8 Scope of the Study 17

1.9 Limitations of the Study 18

1.10 Assumptions of the study 18

CHAPTER TWO 19

LITERATURE REVIEW 19

2.1 Introduction 19

2.2 Review of Related Literature 19

2.2.1 Concept of public financial management reforms strategy 19

2.2.2 Concept of performance in County Governments 22

2.2.3 History of public financial management reforms strategy in Kenya 24

2.2.4 Legal Framework Reforms 25

2.2.5 Relationship between Legal Framework Reforms and Performance of County Governments 28
2.2.6 Budgetary Reforms 29
2.2.7 Relationship between Budgetary Reforms and Performance of County Governments 36
2.2.8 Integrated Financial Management Information System (IFMIS) Reforms 42
2.2.9 Relationship between IFMIS Reforms and Performance of County Governments 45
2.2.10 Financial Reporting Reforms 50
2.2.11 Relationship between Financial Reporting Reforms and Performance of County Governments 55
2.2.12 Audit Reforms 62
2.2.13 Relationship between Audit Reforms and Performance of County Governments 70
2.2.14 Governance and Performance of County Governments 71
2.3 Theoretical Foundation 72
2.3.1 Agency Theory 72
2.3.2 New Public Management (NPM) Theory 76
2.4 Conceptual Framework 79
2.5 Summary of Literature Review and Identification of Knowledge Gap 80
CHAPTER THREE 82
RESEARCH METHODOLOGY 82
3.1 Introduction 82
3.2 Research Design 82
3.3 Location of the study 83
3.4 Target Population 84
3.5 Sample and Sampling Procedures 84
3.5.1 Sample size 84
3.5.2 Sampling Procedures 85
3.6 Data Collection Instruments 85
3.7 Validity of the Research Instrument 86
3.7.1 Content validity 86
3.7.2 Construct validity 86
3.7.3 Criterion validity 87

3.8.1 Reliability of the Research Instrument 87
3.8.2 Results of the pilot study 89
3.9 Data Collection Procedures 90
3.10 Diagnostic Tests 91
3.10.1 Komogorov-Smirnov and Shapiro-Wilk tests 91
3.10.2 Test of Homogeneity of Variance 92
3.10.3 Histogram 93
3.10.4 Normal P-P Plot 94
3.11 Test for Multicollinearity 95
3.12 Data Analysis and Presentation 97
3.13 Ethical Considerations 98
CHAPTER FOUR 99
DATA ANALYSIS AND PRESENTATION 99
4.1 Introduction 99
4.2 Questionnaire Response Rate 99
4.3 Descriptive statistics on respondents' demographic information 100
4.3.1 Gender of the respondents 100
4.3.2 Age of the respondents 101
4.3.3 Educational level 101
4.3.4 Respondent's department 102
4.3.5 Respondent's experience level 103
4.4 Descriptive statistics 103
4.4.1 Relationship between Legal Framework Reforms and Performance of County Governments 103
4.4.2 Relationship between Budgetary Reforms and Performance of County Governments 105
4.4.3 Relationship between IFMIS reforms and Performance of County Governments 107
4.4.4 Relationship between Financial Reporting Reforms and Performance of County Governments 110
4.4.5 Relationship between Audit Reforms and Performance of County Governments 111
4.5 Correlations Analysis 114

4.6 Regression results for public financial management reforms and performance of County Governments ... 116
4.7 Analysis of Variance (ANOVA) ... 118
4.8 Multiple Regression Model for public financial management reforms and performance of County Governments ... 119
4.9 Summary of Chi-Square Analysis of the Independent Variables and Dependent Variable ... 121
CHAPTER FIVE ... 124
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS ... 124
5.1 Introduction ... 124
5.2 Summary of the findings ... 124
5.2.1 Relationship between Legal Framework Reforms and the Performance of County Governments ... 124
5.2.2 Relationship between Budgetary Reforms and the Performance of County Governments ... 125
5.2.3 Relationship between IFMIS reforms and the Performance of County Governments ... 125
5.2.4 Relationship between Financial Reporting Reforms and the Performance of County Governments ... 126
5.2.5 Relationship between Audit Reforms and the Performance of County Governments ... 126
5.3 Conclusions ... 126
5.4 Recommendations ... 128
5.5 Areas for Further Research ... 130
REFERENCES ... 131
APPENDICES ... 141
Appendix III: Request for Permission to Conduct Research ... 152
Appendix IV: Questionnaire for Research Participants ... 153

LIST OF TABLES

Table 3.1 Target population 84
Table 3.2 Sample Size 85
Table 3.3 Cronbach's Alpha Coefficients 89
Table 3.4 Pilot testing and rating of Cronbach's Alpha scores 90
Table 3.5 Tests of Normality 91
Table 3.6 Test of Homogeneity of Variance 92
Table 3.7 Test for Multicollinearity 96
Table 4.1 Questionnaire Response Rate 99
Table 4.2 Gender of the Respondents 100
Table 4.3 Age of the Respondents 101
Table 4.4 Level of Education 101
Table 4.5 Respondents Department 102
Table 4.6 Respondent Experience Level 103
Table 4.7 Descriptive Statistics on Legal Framework Reforms and Performance 105
Table 4.8 Descriptive Statistics on Budgetary Reforms and Performance 107
Table 4.9 Descriptive Statistics on IFMIS Reforms and Performance 109
Table 4.10 Descriptive Statistics on Financial Reporting Reforms and Performance 111
Table 4.11 Descriptive Statistics on Audit Reforms and Performance 113
Table 4.12 Correlations Analysis 115
Table 4.13 Model Summary on Independent Variables and Dependent Variable 117
Table 4.14 Analysis of Variance (ANOVA) 119
Table 4.15 Coefficients of Determination for Independent Variables 120
Table 4.16 Summary of Chi-Square Analysis of the Independent and Dependent Variables 122

LIST OF FIGURES

Figure 2.1: Conceptual framework for the study 80
Figure 3.2: Histogram of regression standardized residuals of performance 94
Figure 3.3: Normal P-P Plot of Regression Standardized Residuals of performance . 95

LIST OF ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
AU	African Union
CFSP	County Fiscal Strategy Paper
CG	County Government
CGBIRR	County Budget Implementation Review Report
CIDP	County Integrated Development Plan
CoK	Constitution of Kenya
CoB	Controller of Budget
CRA	Commission on Revenue Allocation
GIFMIS	Ghana Integrated Financial Management Information System
IAD	Internal Audit Department
ICGFM	International Consortium of Governmental Financial Managers
ICT	Information, Communication and Technology
IDRC	International Development Research Centre
IFAC	International Federation of Accountants
IFMIS	Integrated Financial Management Information System
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IPPS	Integrated Personnel and Payroll System
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISAI	Indonesian State Audit Institution
KPMG	Klynveld Peat Marwick Goerdelers
KRA	Kenya Revenue Authority
LAIFOMS	Local Authorities Integrated Financial Operations Management System

MCA	Member County Assembly
MDA	Ministries, Departments and Agencies
M&E	Monitoring & Evaluation
MTBF	Medium Term Budget Framework
MTP	Medium Term Plan
NPM	New Public Management
OAG	Office of the Auditor General
OCB	Office of the Controller of Budget
OECD	Organization for Economic Co-operation and Development
PAC	Public Accounts Committee
PBB	Programme-Based Budgeting
PFM	Public Financial Management
PFMR	Public Financial Management Reforms
PFMRS	Public Financial Management Reforms Strategy
PIC	Public Investments Committee
PPADA	Public Procurement and Asset Disposal Act
SAI	Supreme Audit Institution
SCOA	Standard Chart of Accounts
SID	Society for International Development
TSA	Treasury Single Account
USAID	United States Agency for International Development

OPERATIONAL DEFINITION OF TERMS

The following terms were conceptually operationalized as follows:

Public Financial Management Reforms Strategy refers to a set of financial initiatives and alignments that are aimed at promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public resources. It includes legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms.

Legal Framework Reforms are changes made to the existing financial regulations with the aim of enhancing the effectiveness and efficiency of financial management practices.

Budgetary Reforms refers to the transformation of the way budgets are formulated and executed with the aim of ensuring transparency and accountability in the way public funds are utilized.

Integrated Financial Management Information System (IFMIS) entails the automation of all government financial operations into a centralized database system with the objective of streamlining government's financial management processes and procedures.

Financial Reporting Reforms are modifications made to the financial accounting framework which involves making changes to the way the financial transactions are recorded and the generation of financial statements.

Audit Reforms is a transformation of a systematic and independent examination of accounting records of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern.

Performance is the degree to which public institutions achieve their predetermined goals on the basis of service delivery, management of public revenue and expenditure as well as prudent use of public resources for economic growth and development.

CHAPTER ONE
INTRODUCTION

1.1 Overview

This chapter presents the background of the study, statement of the problem, the objectives of the study as well as the research hypotheses. It also contains significance of the study, the scope, limitations and assumptions of the study.

1.2 Background of the study

Over the past few decades, the world has witnessed the spectacular transformation of public financial management systems. According to the World Bank Report (2014) Public Financial Management (PFM) is a critical part of the development process in any country. Organization for Economic Co-operation and Development (OECD) defines PFM as encompassing all components of a country's budget-making process; both upstream (including strategic planning, medium-term expenditure framework, annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, monitoring and evaluation, audit and oversight).

Sound PFM framework can support aggregate control, prioritization, accountability and efficiency in the management of public resources and delivery of services, which are critical to the realization of public policy objectives, including the attainment of the Sustainable Development Goals (SDGs). In addition, strong Public Financial Management Systems are essential for the appropriate use and efficacy of donor support program since aid is progressively delivered through avenues which rely on well-functioning systems for budget development, execution and control. Conversely, deficiencies in PFM systems can lead to a dearth of fiscal discipline and macroeconomic volatility, poor allocation of public resources based on national priorities, financial improprieties and inadequate delivery of public services. To

achieve effective and efficient PFM systems, majority of the countries world-wide have taken various initiatives and interventions to reform their public financial management structures as a component part of the entire fiscal reforms that countries have to implement (Eivind & Pavesic, 2009).

Globally, South East Europe countries have undertaken various PFM reforms with a majority of them almost completing many rudimentary public financial management reform initiatives. For instance, Bulgaria, Croatia, Moldova and Slovenia have made tremendous progress in instituting public financial management reforms. Even though this is the case, many other countries in South East Europe have carried out advanced PFM reforms but have not entirely finalized their implementation. Research indicates that most of the countries need considerable or very substantial improvements in order to meet the benchmarks in many spheres of PFM reforms (Eivind & Pavesic, 2009).

As observed by Gouhua (2014), a good government accounting framework is considered a very crucial tool in China. From a fiscal risk point of view, Gouhua (2014) further stated that in the past decade, government entities could borrow through informal mechanisms which increased the likelihoods of financial risks because of a deficiency of good government accounting structures, but currently local governments can secure loans using formal mechanisms such as issue of bonds because of the strengthened financial accounting systems. For this reason, China's State Council approved the Accrual Government Comprehensive Financial Reporting Reform Plan in 2014. As part of the plan's implementation, the Ministry of Finance published a package of accounting and financial reporting guidelines including; Government Accounting Basic Standards, Government Financial Reporting Regulations, and the General Budget Accounting Regulations as part of the reform

instruments. The issuance of these documents marks the start of a substantial transformation agenda that China is making towards adopting PFM reforms.

Edwards (2017) in a study to examine the extent to which good accounting practices have driven African economies to develop and grow found out that good accounting practices have promoted natural growth and cohesion, whereas poor standards have led to financial chaos and civil unrest. Edwards (2017) emphasized that good governance and strong public financial management (PFM) system should be implemented to enable the African economies to develop and grow. The study further disclosed that the implementation of Public Financial Management Reforms (PFMR) is a requirement by the donor agencies and recipient governments to improve the management of public resources.

Integrated Financial Management Information Systems (IFMIS) and other procedures can provide vital information for decision making and policy development by governments which can aid the budgeting process by linking it to government approved strategy, and improves expenditure and revenue performance in order to facilitate effective accounting and reporting by government and its entities thus enhancing effective accountability and transparency (Chignell, 2017).

Bizhan (2017) investigated the reforms in Pacific Island countries between 2010 and 2014. The study examined the extent to which the PFM reforms have taken account of capacity constraints, and the degree to which the reforms gained country-wide acceptance and recognized the particular country political contexts. It further examined how effective reform programs have focused on the key challenges that Pacific Island countries face in managing fiscal policy and in financing delivery of public services. The results of the study showed that the dependence of stakeholders

on pre-determined models weakens the reforms as pressing challenges that emerge during the implementation of reforms were neglected. The report suggests that the reform process should emphasize on country priorities rather than rely on pre-determined models.

Based on the World Bank (2016), PFM reforms implementation has been going on successfully in Ghana since the project was launched in the year 2016. According to the report, the first set of PFM reforms was rolled out in 53 Government Ministries, Departments and Agencies (MDAs) and they were expected to lay down the principles of sound financial management practices. According to the report, some of the priority areas for the reforms included; enhancing budget credibility through a strong regulatory framework, strengthening public financial management systems and controls, ensuring effective accountability and strengthening financial audit and oversight role, establishing an effective Public Financial Management Reforms (PFMR) project monitoring and reporting system to ensure that the project succeeds among others.

According to a review on Public Financial Management by ICPAK (2017) many countries worldwide have ratified a number of public financial management regulations which state how public resources should be used in order to improve economic growth and develop trust towards the state by the citizens and other development agents. The review noted that majority of African nations have made outstanding transformations in their PFM reforms agenda and they include South Africa, Ghana, Ethiopia, Malawi, Botswana, Nigeria, Kenya, Uganda and Tanzania among others. The study confirms that South Africa has carried out notable changes on public financial management systems through the enactment of noticeable Acts and regulations including Treasury Regulations Act, Budgetary Regulations

Framework, Financial Reporting Framework and Evaluation Framework relating to performance against the strategy. Besides, the national and provincial departments in South Africa use modified cash basis of accounting and reporting as provided for by the financial regulations Act of the country.

Andrews (2010) studied the status of public financial management reforms in Africa and found out that Malawi is a leading example of countries in Africa that have embraced PFM reforms. The PFM reforms in Malawi clearly demonstrated that the government has implemented various statutory measures in recent years with a view of formulating sound legal framework reforms for an effective PFM system. However, it was found that many Zambian Government Ministries had not complied fully with the existing PFM regulations framework and that there was inadequate government regulatory enforcement towards its compliance.

Andrews (2010) further noted that critical PFM patterns in Africa revealed that there is relatively strong interventions under the control of single, concentrated entities. The International Consortium of Governmental Financial Managers (ICGFM), International Federation of Accountants (IFAC), and other international accounting and auditing bodies are working in countries for instance Ethiopia and Mozambique, Uganda and Tanzania, to assist in providing capacity building in government, supporting and strengthening audit offices, and facilitating the transfer of professional norms valuable to the implementation of technical accounting tools. The aim is to enable the development of professional-based domestic organizations for example local accounting associations. These entities are very important in creating formal and norm-based professional financial management structures in public and private settings. Andrews (2010) also found out that Lesotho's PFM reforms emphasized the significant role the professional accounting entities can play in entrenching new

accounting mechanisms throughout government in the application of IFMIS so as to ensure sound financial management in their ministries. The Lesotho-Government has introduced intervention measures to provide a training program throughout the Eastern and Southern African Associations of Accountants General in collaboration with the Chartered Institute of Public Finance and Accountancy. Similar initiatives to strengthen professional accounting bodies were observed in Mozambique. In order to strengthen the platform for enhanced dialogue among the public sector and a Network of Chambers of Agriculture of Benin, Guinea, Côte d' Ivoire, Mali, Niger and Togo, the African Capacity Building Foundation was found to be working towards building bridges between decentralized MDAs and central budget and planning entities in West Africa. The project's aim was to enhance access to information on agricultural issues so as to inform policy development and budgeting activities in the region. (Andrews, 2010).

An investigation conducted by Mwakabolo (2009) to establish the impact of economic reforms on Government revenue and public investment in East African countries; Kenya, Uganda and Tanzania, pointed out that trade reforms in these countries had varying impacts on government revenue, tax performance and public investment spending. It was found out that trade reforms had negative impact on government revenue in Uganda, but not in Tanzania and Kenya. The outcomes also revealed that Tanzania has had the weakest overall tax revenue and low public investment ranking. Mwakabolo (2009) cites poor tax regimes and irregular revenue generation as the main obstacles in all the three countries; contributing significantly to adverse impacts on public investment outlay. (Mwakalobo, 2009).

Yeboah (2015) conducted a study to examine the implementation of IFMIS and explore the accountability frameworks in its implementation in Ghana. The outcome

of the study indicated that Ghana Integrated Financial Management Information System (GIFMIS) was internally generated and was based on the experiences from the implementation of previous programmes. Yeboah (2015) argues that the stability in the political governance system promotes sustained political support and commitment, and hence facilitates the effective implementation of public financial management reform programmes.

In Ghana, it was observed that several accounting norms have been in use, for instance the International Public Sector Accounting Standards (IPSAS) cash basis approach of accounting has been in use since 2007 until recently when the country embraced IPSAS accrual method to accounting (Adhikari, Kuruppu, & Matilal, 2013). Tanzania has shown keen interest in reforming its public financial regulations by switching from IPSAS cash basis technique to accrual method of accounting. This was meant to diminish the frequent cases of embezzlement of public resources and improve the standards of living of the citizens (Mary, Andrew, & Adam, 2012).

Locally in Kenya, the key PFM reforms are clustered around various domains like strategic planning and resource mobilization, budget formulation and execution, the adoption of technology, adoption and implementation of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting, establishment and strengthening of the Office of the Auditor General (OAG) and oversight agencies, transformation of PFM regulatory framework and public engagement in the budgetary process (National Treasury, 2015).

Following the enactment of the Constitution of Kenya (2010), critical issues relating to decentralization and public financial management became the focus of policy reforms. The necessity for reforms in the public financial management sector in

Kenya were triggered by the previous challenges and gaps identified relating to the embezzlement of public funds, inequities arising from resource redistribution nationally, centralized systems of governance and inadequate checks and balances. The PFM reforms in Kenya were aimed at making public financial management more efficient, effective, participatory and transparent to ensure improved accountability and better-quality service delivery to the citizens (Society for International Development, 2012).

However, despite the PFM reform strategies implemented in Kenya to date, recent literature studies and reports show that the County Governments are still reporting similar challenges the reforms were expected to address. Specifically, the Controller of Budgets (CoB) issued the County Governments Budget Implementation Review Report (CGBIRR) for the year 2017/2018, which indicates the various challenges associated with budget implementation in the County Governments during the reporting period. These include: inadequate legislations to operationalize the established county public funds, IFMIS interconnectivity challenges, inadequate statutory reporting, high wage bill, underperformance in local revenue collection, low uptake of development funds, delays in disbursements of equitable share of national revenue, and inadequate budgetary allocations among many County Governments. The report further highlighted County- specific cases; for instance, Nakuru County was faced with underperformance on local revenue collection, Bomet County encountered both high wage bill and late submission of financial reports, Kericho County was characterized by inadequate operationalization of established County funds and late submission of financial reports and Narok County was faced with lack of audit committees, high wage bill and underperformance on local revenue

collection. The IFMIS interconnectivity problem was a common factor to all the County Governments under study.

Furthermore, the Auditor General's report (2016) indicates that a lot of funds could not be accounted for by the County Governments. These issues raised by CoB & OAG provide sufficient evidence that there were existing gaps between the expected outcomes of PFMR strategies and the existing performance outcome of County Governments in Kenya.

Magani and Gichure (2018) examined the influence of public financial management reforms on budget implementation by Kenyan city County Governments and established a strong positive and statistically significant correlation between fiscal decentralization and budget implementation while IFMIS reforms had a negative and statistically insignificant correlation with budget execution.

Kiilu (2014) investigated the impact of PFM reforms on the successful administration of open subsidies in the National Treasury. The investigation established that procurement reforms and planning significantly affected the viable administration of open subsidies. The report further contends that IFMIS and administration of the revenue had minimal relationship with the effective management of public funds.

Abass (2017) examined the connection between strategy implementation and execution in Wajir County Government. The study established that there is a significant positive relationship between methodology execution and the hierarchical execution of the strategy. Simon (2017) also examined the impact of financial practices on budgetary performance of County Government of Mombasa and made a determination that there is a positive relationship between monetary planning and monetary performance of the County Government.

Osia (2018) carried out a research study to establish the role of strategy implementation on the governance of the 47 County Governments in Kenya. The findings of the study were that strategy implementation plays a significant role in governance of devolved units in Kenya. A study done by Mukabi (2015) concentrating on devolved governance in Kenya, explored the extent to which the challenges facing devolved units have been addressed. The study concluded that the County Governments in Kenya have made significant strides in public participation, creation of employment opportunities, devolvement of funds, and the decentralization of certain key functions. However, the study established that a myriad of challenges faced County Governments.

Kuria (2011) investigated the effects of PFM reforms on the operations of the Ministry of Finance in Kenya. The study found out that the PFM reforms had positive impact on the financial performance of Government Ministries. Likewise, Njoroge (2012) conducted a study on the relationship between financial reforms and performance in the public sector. The study focused on auditing, budgetary and accounting reforms. The study reported a strong positive correlation between these reforms and economic performance of Ministries.

The study was guided by two theories namely; the Agency Theory and New Public Management Theory.

The agency theory was originally developed by Alchian and Demsetz in1972 and later advanced by Eisenhardt (1985) and Jensen and Meckling (1976). The Agency theory is an organizational management theory that describes the various chain of relationships and areas of self-interest in organizations. Agency theory opines that the owners (shareholders) are the principals who hire the executive managers (agents) to run the organization on the behalf. Therefore, the managers must be well trained,

technically competent, have sufficient time and capacity to manage the operations so as to achieve the predetermined organizational objectives

New Public Management (NPM) theory was advanced by Christopher Hood (1991). The Theory presents a set of administrative policies which dominated the civil service reform agenda in many OECD, countries. New Public Management (NPM) Theory postulated seven principles to govern the NPM approach to organizational management. These include adoption of private sector-style of management practices which is business-like, development of a strategic plan with clear outline of the vision, strategic objectives and activities, formulation of a strong policy framework to guide the implementation of the strategy , development of a strong monitoring and control system to ensure effective implementation of the strategy, establishment of proper performance management system to facilitate effective measurement of performance results against the predetermined outcomes, a shift from a centralized system of governance to a decentralized structure of governance which will ensure increased flexibility and eliminate bureaucratic bottlenecks, and an emphasis on performance-based assessment of outsourced goods and services exercise greater fiscal discipline on the use of public resources to effects and efficiency in providing public service to the citizens.

The first New Public Management practices occurred in western countries such as United Kingdom, Australia and North America. New Public Management was accepted as the "gold standard for administrative reform in the 1990s (Hood, 1991). The theory of NPM was especially applied in many policy management areas such as Citizens Charter Initiative, Competing for Quality, Accounting and Budgeting, and the Private Finance Initiative among others.

In the study, the independent variable was a public financial management reforms strategy which was conceptually defined as a set of transformations in financial management systems. Public financial management reforms strategies considered in the study included: legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting and audit reforms. Specifically, the indicators for the legal framework reforms were: Constitution of Kenya (2010), PFM Act (2012), Public Procurement and Asset Disposal Act (2015); budgetary reforms were indicated by public participation, program-based budgets and budget implementation; IFMIS reforms were captured by the indicators: adoption of IFMIS, integration with other systems and security; while financial reporting reforms were indicated by adoption of IPSAS, preparation of consolidated financial statements and statutory reporting. Finally, the indicators for audit reforms were: establishment of audit committee, internal audit function and county assembly oversight role.

The dependent variable for the study was performance which was conceptually defined as the ranking of public institutions on the basis of service delivery, management of public revenue and expenditure as well as prudent use of public resources for economic growth and development. Performance indicators will include timely submission of statutory reports, effective revenue mobilization, effective and efficient transparency and accountability on the use of public resources, adequate and quality service delivery to the citizens, good financial performance, effective monitoring and control of budgetary allocations and subsequently, a strong audit and oversight role.

1.3 The Statement of the Problem

In the history of public finance and economic policy, an effective public financial management system has been considered an effective tool for promoting economic

growth and development in any nation globally. The performance of county governments in Kenya is highly dependent on the effective implementation of the existing public financial management reform strategies. With regards to this, the National Government has rolled out various PFM reforms with the expectation that the performance of County Governments in Kenya will improve. The fruits of devolution in Kenya cannot be realized despite of the various public financial management reforms if the implementation is inadequate.

Despite the milestones achieved in executing the PFM reform strategies in Kenya to date, many literature studies and reports demonstrate a lot of concern on the performance of County Governments in Kenya which is contrary to the expected outcome of the reforms' agenda. Specifically, the Controller of Budgets published the County Governments Budget Implementation Review Report (Office of the Controller of Budget, 2018), which documented the various challenges that affected budget implementation in the County Governments during the reporting period. These were; inadequate legislations to operationalize the established county public funds, IFMIS interconnectivity challenges, under-performance in own source revenue collection, low uptake of development funds, high wage bill, inadequate statutory reporting, colossal amount of pending bills, weak budgetary control by the county treasuries and delays in disbursements of equitable share of national revenue among many County Governments.

These issues provide sufficient evidence that there could be certain inconsistencies between the implementation of PFMR strategy and the expected performance outcome of County Governments in Kenya. This scenario presents a reservation that PFM reforms may not have achieved the desired objectives after all. Besides, few research studies have been undertaken to establish the relationship between public

financial management reforms strategy and the performance of selected County Governments in Kenya. Most of the studies that have been done have concentrated on the developed economies. It is against this background that this study sought to establish the relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study was to establish the relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya.

1.4.2 Specific Objectives

The specific objectives of the study were to;

i. To establish the relationship between legal framework reforms and the performance of the selected County Governments in Kenya

ii. To determine the relationship between budgetary reforms and the performance of selected County Governments in Kenya

iii. To examine the relationship between IFMIS reforms and the performance of selected County Governments in Kenya

iv. To determine the relationship between financial reporting reforms and the performance of selected County Governments in Kenya

v. To analyze the relationship between audit reforms and the performance of selected County Governments in Kenya

1.5 Hypotheses

The following hypotheses were tested;

H_{01}: The legal framework reforms have no statistically significant relationship with the performance of selected County Governments in Kenya

H_{02}: Budgetary reforms have no statistically significant relationship with the performance of selected County Governments in Kenya

H_{03}: There is no statistically significant relationship between IFMIS reforms and the performance of selected County Governments in Kenya

H_{04}: Financial reporting reforms have no statistically significant relationship with the performance of selected County Governments in Kenya

H_{05}: Audit reforms have no statistically significant relationship with the performance of selected County Governments in Kenya

1.6 Justification of the study

Several financial reforms have been undertaken by the government in Kenya with a view of making effective utilization of public resources. Despite the milestones achieved in the PFM reforms, there are still problems experienced in the County Governments with escalating cases of financial misappropriations, corruption and tussle between National and County Governments over the sharing of the revenue being reported most frequently. These problems among many have prompted the researcher to undertake a research to determine the real issues that the public financial management reforms have not addressed or implemented with a view of providing solutions that will enhance the performance of County Governments in Kenya. It is only through research that the loopholes in the PFMR can be identified by getting the opinions, beliefs and ideologies of the various stakeholders involved in the implementation of public financial management reforms. The study on the relationship between public financial management reforms strategy and the

performance of selected County Governments in Kenya is timely and relevant given the new concept of devolution in Kenya.

1.7 Significance of the Study

Effective operation of County Governments is crucial in meeting the goals of devolution in Kenya. This depends largely on among other things an effective public financial management system that will guarantee prudent utilization public resources for quality service delivery to the citizens. This can only be achieved through regularly implementing public financial management reform initiatives. The findings are expected to be useful for different stakeholders.

First, the National and County Governments will use the findings and recommendations of the study in the formulation of a strong and comprehensive public financial management reform framework that will support the development of a robust and effective PFM system which will subsequently contribute to the achievement of accountability and transparency in the use of public resources, thereby guaranteeing adequate and quality service delivery to the citizens and the achievement of Sustainable Development Goals (SDGs).

Secondly, the outcome and recommendations of the study will help the National and County Governments in the formulation of an effective policy framework that would guide the implementation of the public financial management reforms so as to foster appropriate functioning of the devolved governments. This will guide the policy makers at both levels of government to align their respective policies to the devolved system of government.

Thirdly, it is expected that the study will contribute to the existing body of literature in the same field as this would act as a source of reference for future researchers and

academicians working in the fields of public finance and policy. The outcome and recommendations of the study will subsequently lead to the generation of new ideas that will be used to introduce new PFM reforms strategies leading to the improvement of performance of County Governments. Lastly, the findings of the study will be of great value to the development partners as this will act as a tool to guide their decision-making with regards to funding of the development programmes of the government.

1.8 Scope of the Study

The study mainly focused on the relationship between public financial management reforms strategy and the performance of the selected County Governments in Kenya. The study specifically dealt with five variables namely: the legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms and the performance of selected County Governments in Kenya. The study was undertaken between June 2017 and August 2019. The study focused on this period because the researcher believed that the second Public Financial Management Reforms Strategy (2013-2018) in Kenya would have been implemented to its completion. The study was executed in each of the treasury of the four selected County Governments in Kenya in the Rift Valley region, namely: Bomet, Kericho, Nakuru and Narok. The study was motivated by the County Governments Budget Implementation Review Report (2017/2018) which indicated that these counties faced a lot of challenges during the reporting period. The study utilized correlation research design to achieve the intended purpose. The study targeted 46 staff in each of the County's treasury translating to a total of 184 respondents drawn from all the four Counties.

1.9 Limitations of the Study

Ideally, this study should have been conducted in all the County Governments of Kenya but time and financial constraints necessitated the selection of 4 County Governments. The localization of the study to the four County Governments in Kenya could limit its generalizability to other County Governments in Kenya. Also due to practical constraints, this study could not provide a comprehensive review of all the related literature for the study. Nonetheless, the structure of County Governments in Kenya is similar and faces almost similar challenges. It is not therefore expected that the findings will have much disparity, if it was to be undertaken by different County Governments.

1.10 Assumptions of the study

The study was undertaken on the basis of the assumptions that the respondents would provide true and accurate information for the study. It was assumed that the respondents had enough time to respond to the questionnaire.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter covers review of related literature, the theoretical framework, the conceptual framework for the study as well as the identification of the knowledge gap.

2.2 Review of Related Literature

This section presents the concept of PFM reforms strategy, the concept of performance and the literature review based on the objectives of the study.

2.2.1 Concept of public financial management reforms strategy

In recent years, there has been an increasing amount of literature on various perspectives of Public Financial Management Reforms globally. Conceptually, public financial management reforms imply changes, re-organization, restructuring, re-shaping and overhauling of the financial system to get rid of imperfections and possible distortions affecting smooth the operation and performance of the system (Lynn Jr, 1999). Nations globally are facing a lot of external and internal pressures to reform their public sectors in order to unravel public financial management complications, to raise public confidence in government, and to adapt to social and economic trends.

Organization for Economic Co-operation and Development (OECD) defines PFM as the components of a country's budget-making process; both upstream (including strategic planning, medium-term expenditure framework, annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, monitoring and evaluation, audit and oversight).

The Institute of Certified Public Accountants of Kenya (ICPAK) defines public financial management system as a set of laws, rules, procedures and structures used

by the governments to marshal resources, allocate public revenue, execute public expenditure, account for funds and finally audit the outcome. For purposes of this study, PFMR strategy encompassed the legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms.

Public financial management reforms strategy is defined as a set of PFM reforms that is expected to promote transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery. An effective public financial management (PFM) system is that which guarantees efficient, equitable, and effective accountability and openness in the use of public resources for the attainment of improved quality service delivery and the realization of Sustainable Development Goals (SDGs) (National Treasury, 2016). It provides a road map for the execution of various future PFM reform programs and it is considered a vital component of good governance in all County Governments and MDAs.

The review of related literature focuses mainly on the theoretical perspectives of public financial management reforms strategy in relation to the performance of County Governments. The existing PFMR strategy was formulated in Kenya covering the period 2013-2018. The PFM reform strategy (2013-2018) has been articulated around seven thematic areas. This study focused mainly on the five domain areas, the contextual exposition of their key reform areas, their strategic interventions and also the expected outputs. Globally, many previous research studies undertaken have been reviewed under this study.

Jena (2014) purposed to examine the key PFM reform measures undertaken in India in the recent past and provides suggestions to enhance the effects of these PFM

systems. According to the researcher, public financial management reforms that have been undertaken intermittently over the years, have not delivered the expected results. Based on the studies and recommendations of government appointed committees and expert bodies, several gaps such as inadequacy of laws and lack of adequate compliance mechanisms were identified that need attention so as to strengthen the PFM institutional framework and to improve the efficiency of government spending.

Munyambonera and Lwanga (2015) carried out a study to examine the progress and impact of the on-going public financial management reforms undertaken by the Ministry of Finance in Uganda since 2012/2013. These reforms included the implementation of the Treasury Single Account (TSA); upgrading of the Integrated Financial Management System (IFMS) and the Integrated Personnel and Payroll System (IPPS); improving wage and payroll management, improving budget formulation, implementation, monitoring and reporting; and strengthening budget credibility. The study used both primary and secondary methods of data collection and employed multi-stage purposive sampling procedure. The study findings showed that despite some challenges, the reforms were so far yielding positive results in terms of improved accountability, reporting and service delivery. The key PFM reforms contributed a lot to the improved public financial management practices at different levels of government including among others; improved public expenditure management through the TSA, enhanced accountability and public expenditure through the use of IFMIS, reduction in the overall wage bill of all MDAs.

Magani, Mwangi and Gichure (2017) undertook a study to determine the extent to which public financial management reforms influence budget implementation by the County Governments. The focus of the investigation was on IFMIS reforms and fiscal

decentralization. The study was based on Modern Portfolio Theory, Resource-Based Theory and Stakeholder Theory. The study indicated a strong positive correlation between fiscal decentralization and budget implementation while IFMIS reforms had a negative and statistically insignificant correlation with budget execution. As opposed to the above study, the study will use the New Public Management Theory and Agency Theory to expound more on the relationship between PFMR strategy and performance of selected County Governments.

2.2.2 Concept of performance in County Governments

Performance is a difficult concept to define because institutional performance differs depending on the interest of the users of information. Therefore, there are varied definitions advanced by different scholars and institutions. However, there is no consensus that has been reached concerning the definition of performance.

According to a World Bank (2014), public sector performance is about the outcomes and impact. It states that a performance orientation in the public sector means that achievements matter, as well as integrity and economy and that managers or agencies should pursue clear standards. Performance in public service delivery means that public sector outputs efficiently contribute to policy objectives. It emphasizes that performance measurements should focus on outcomes and outputs and not merely the inputs. Performance looks at how effective and efficient the strategic objectives have been achieved in an organization. In this study performance is defined as the degree to which public institutions achieve their predetermined goals on the basis of service delivery, management of public revenue and expenditure as well as prudent use of public resources.

World Bank Independent Evaluation Group (2008) carried out a study to examine the impact of bank lending and other support for public sector reform in four areas: public

financial management, administrative and civil service, revenue administration, as well as anticorruption and transparency. The findings of the study showed that, a majority of the countries that borrowed to support public sector reforms enhanced their performance in some dimensions, but there were deficiencies in some important aspects. Middle-income borrowers saw improvements in their public sector quality more frequently than low-income borrowers, even though the low-income group usually had greater needs for public sector improvement. The report indicated that performance typically improved for public financial management, tax administration, and transparency, but not for civil service. Direct measures to decrease corruption such as anticorruption laws and commissions hardly succeeded, as they often lacked the necessary support from political leaders. Analytic work, including the development of monitoring indicators, was especially useful in financial management, but such analysis was usually lacking in the civil service and administrative areas, which contributed to the differences in outcomes. In summary, the report pointed out that efficacy and efficiency of a country's public sector is vital to the achievement of development activities together with that the World Bank supports. Sound financial management, an efficient civil service and administrative policy, efficient and fair collection of taxes, and transparent processes that are relatively free of corruption all contribute to better delivery of public services.

Njoroge (2012) studied the relationship between financial management reforms and the economic performance of the public sector in Kenya. The study used descriptive survey design. The study was carried in Nairobi and the population was the 42 Ministries and departments that were in existence at the time of the study. The study identified three types of financial reforms including budgetary, accounting and auditing reforms. The outcome of the study showed that there was a significant

positive correlation between financial management reforms undertaken and the economic performance of various Ministries and departments. However, the above study focused on Government Ministries only and not County Governments and thus there is need for more studies focusing on counties. The present study will focused on the four County Governments in Kenya namely: Bomet, Kericho, Nakuru and Narok.

2.2.3 History of public financial management reforms strategy in Kenya

Based on the National Treasury (2016); there have been no substantive PFM reforms carried out in Kenya since independence. However, in the year 2000, the government molded public financial management reforms strategy named as "*Revitalization of Public Financial Management System in Kenya*". This strategy was to be executed between the years 2006 to 2011. The objective of these reforms' strategy was to ensure among others the credibility of the budgetary allocations, timeliness and accuracy of the financial reports, roll out of IFMIS to upgrade revenue mobilization, establishment and strengthening of external audit as well as strengthening of the PFM legal and institutional framework.

The promulgation of the Constitution of Kenya, 2010 (Republic of Kenya, 2019) which created two levels of government; National and County Governments, presented opportunities and challenges hence the need to reform further the PFM framework to address the new developments. The enactment of the CoK (2010) and the PFM Act (2012) laid down the platform for the enactment of subsidiary legislations on PFM reforms which were expected to enhance public participation in budgetary process, strengthen revenue mobilization for County Governments, ensure strict financial controls and reinforce the audit and oversight by all MDAs. However, towards the end of the operationalization of the first PFM reforms strategy (2006-

2011), majority of the reforms had not been implemented completely. The enactment of the CoK (2010), greatly modified the PFM architecture for instance; the creation of the office of the Controller of Budget (CoB), and the Office of the Auditor General (OAG) and the establishment of the Commission on Revenue Allocation (CRA) among others.

2.2.4 Legal Framework Reforms

Central to the entire discipline of public finance is the concept of legal framework. For the purpose of this study, the term legal framework reform refers to a set of laws, rules, policies and legislations that govern the accountability, transparency as well as the effective, economic and efficient collection and utilization of public resources.

The evolution of the New Public Management Theory and the loopholes and inadequacies noted in the previous PFM systems gave rise to the formulation of more strong PFM regulatory frameworks among different countries globally; especially in the developing economies. OECD (2004) report on the reviews of the budget systems and laws of individual OECD member countries undertaken since 2001 pointed out that in some Western European countries, the origins of national budget systems can be traced to the institutional arrangements prevailing before democracy was introduced. Monarchies had royal treasuries to manage government finances sourced by mandatory levies on citizens. In a few countries, the "constitutional" arrangements for budget systems have an inheritance dating back several centuries. Even though many changes and restructurings in the legal framework reforms for budget systems have been introduced over the periods, a few prehistoric features still prevail; exclusively in the United Kingdom and France. These in turn were inbred by the former colonies of these two countries, whose legal framework reforms for budgeting still bear similarities to those inherited at independence. Over time, many of the

policies pertaining to national budgeting systems were written down but not all were complied with. The study examined the major differences across countries in the legal provisions for budget preparation, presentation, approval, execution, government accounting and fiscal reporting. More generally, this study highlights the extensive differences between the legal reforms for budget systems among different jurisdictions.

While budget systems may be converging in OECD member states, the regulations associated with budget systems do not give the impression to be converging at the same rate. Each country's specific institutional structures and political systems result in differences in commandments for government budgeting systems. The conclusion of the study revealed that budget-related regulations are espoused for a variety of reasons; including the introduction of budgetary reforms maybe as a consequence of a budget crisis, to modify the balance of power between the legislature and the executive, to improve macro-fiscal stability, to boost transparency and accountability in the budget system among others (Capretta, 2014).

There are various established regulations that govern PFM in Kenya namely Article 201; Constitution of Kenya, with respect to public finances lays down the basic public financial management principles. These principles include: openness, accountability, equity, and public participation in financial matters, prudence and responsible use of public resources in addition to responsible financial management (Constitution of Kenya, 2010).

The legal framework reforms in Kenya provide the basis for enacting subsidiary legislations. The applicable legislations cover public participation, financial controls,

county revenue funds, contingency funds, accounting and audit of public entities, procurement of goods and services and loan guarantees.

The PFM Act was enacted in 2012 following the promulgation of the new constitution in 2010 and it outlines the object and purpose of the Act including: to provide a means of administering the powers vested in the cabinet secretary under the constitution, the Act and any other regulation, to set out a standardized financial management system for use in County Governments, to ensure accountability, transparency and effective use of public resources among others (PFM Act, 2012).

Further, it maintains expenditure on wages and benefits within a set range; and ensures that all borrowings are used to finance development expenditure; maintain sustainable debt levels; ensure tax rates and bases are predictable; and practices fiscal prudence. The PFM Act (2012) has regulations to action the various requirements of the Act, especially on issues pertaining to revenue mobilizations, accounting and reporting of all financial and economic transactions and events. Furthermore, the legislation provides adequate guidelines on the internal control measures to be implemented in all government entities; for the effective accountability and transparency of government financial operations (National Treasury, 2015).

The Government of Kenya initiated public procurement reforms through the enactment of Public Procurement Act (2006) and Public Procurement and Disposal Regulations (2006). However, the inadequacies of these two Acts led to the passage of the Public Procurement and Asset Disposal Act (2015) which applies to both National and County Governments under the new constitutional dispensation. Section 68 of the Public Procurement and Asset Disposal Act (2015) requires that an accounting officer of the procuring entity shall keep records for each procurement

process. The Procurement Directorate oversees the supply chain management. The Directorate uses the IFMIS to monitor the procurement process and any Information on the value of awarded contracts can be accessed through the IFMIS and the respective project documents. The Act was expected to enhance oversight and openness is all procurement activities and further strengthens the procurement functions at both levels of government. The e-Procurement system which was rolled out under the Integrated Financial Information Management System as a result of the challenges created by the previous systems was expected to enhance the timely, accurate, efficient and effective procurement process in all government entities (National Treasury, 2015).

2.2.5 Relationship between Legal Framework Reforms and Performance of County Governments

Karungani and Onchiri (2017) carried out a study to investigate the effect of policy and regulatory framework on organizational performance in Nairobi County. A survey research design was utilized to conduct the study. Purposive sampling technique was used and data was collected using questionnaires. The researchers analyzed data using descriptive and regression techniques. The study revealed that; policy and regulatory framework within the procurement sector was critical in improving organizational performance. The research also indicated that policy and regulatory framework led to improvement in organizational performance by creating a level playing field for organizations engaged in the procurement field, improvement in transparency, openness, improved ethical standards, impartiality as well as improving decision making. The present study utilized Correlational research design to establish the relationship between PFM reforms strategy and the performance of selected County Governments in Kenya.

Muage (2014) carried out a study to determine the effect of procurement legislation implementation on procurement performance of Constituency Development Fund (CDF) committees in Kenya. The findings of the study indicated that; procurement legislation significantly affected procurement performance of CDF committees in Kenya. The present study will concentrate on budgetary reforms, IFMIS reforms, Financial reporting and audit reforms other than legal framework dealt with in the above study.

Munywoki (2016) in her study concludes that factors such as staff capacity, commitment by top management and information systems, ICT institutional and ethical factors significantly influence compliance with public procurement law. The study utilized exploratory research design. The author further recommended seminars and capacity building within the public sector to enhance compliance with established procurement regulations. The present study used correlation research design in its investigating the relationship between PFMR Strategy and the performance of selected County Governments in Kenya.

2.2.6 Budgetary Reforms

Central to the entire discipline of public finance is the concept of budgeting. According to the Chartered Institute of Management Accountants (CIMA), a budget is defined as “a quantitative statement for a defined period of time, which may include planned revenues, assets, liabilities and cash flows. According to this study, a budget is defined as a financial plan that outlines the estimated revenues and expenditure of an organization during a particular financial period so as to attain the predetermined strategic activities. According to Blumentritt (2006), budgeting is the allocation of resources to a particular project while Horngren et al. (2004) describes a budget as the

quantitative statement of a proposed plan for a particular period and helps in coordinating the implementation process.

According to English, the word “budget” originates from the French word “bougette” which means a leather bag which travelers in medieval times hung on the saddle of their horses. The treasurer’s “bougette” was the predecessor to the small leather case from which Finance Ministries even today in countries like America, Kenya, Great Britain and Holland present their yearly financial plan for the State. So, after being used to describe the word wallet and then state finances, the meaning of the word “budget” in 19th century slowly shifted to the financial plan itself, initially, only for governments and then later for private and legal entities. It was only then that budgets started to be considered as financial plans and not just as money bags. Budgets are used as tools for financial planning and controlling the operations of the organizations. The budgeting process is a step by step process involving a lot of activities, procedures and policies to be followed in allocating the resources to some planned activities (Horngren, 2004).

According to IMF Working Paper (2017), more than 15 years ago, many countries in sub-Saharan Africa region embarked on a program of budgetary reforms, an important component of which was a Medium-Term Budget Framework (MTBF). The focus of the study was on the performance of these frameworks in six countries namely; Kenya, Namibia, South Africa, Tanzania, Uganda and Zambia. The aim was to examine the effects of MTBFs in achieving enhanced fiscal discipline, resource allocation and certainty of funding; as well as broader economic and social measures such as poverty reduction and more efficient public investment opportunities. The report confirms that in most countries, early accomplishments were not sustained and budgetary outcomes did not improve, partly for technical reasons, such as poor

statistics and inadequate forecasting methods of Medium-Term Budget Framework. The paper maintains that the development of MTBFs typically falls into four diverse phases. To make the transition from one phase to the next, developing countries should concentrate on building their competences in macro-fiscal forecasting and analysis, besides improving the integrity of the annual budget process. (Allen, 2017)

Kudryashova (2016) carried out a study to analyze the reforms of budgetary institutions in Russian Federation. The author noted that the delay of the budgetary reforms was caused by the financial crisis of 2008 which adversely influenced the implementation of budgetary institutions' initiatives.

According to the IMF Working Paper (2009), the development of sound budgetary institutions in countries such as France, the U.K. and the U.S. has taken a very long time—200 years or more and is still evolving. The paper concludes that institutional reform in developing countries is also expected to be very slow since the budget is especially prone to rent-seeking influences.

The Austrian Federal budget reform makes extensive changes to the content and processes of the Austrian federal budget. These changes were expected to result in greater transparency with respect to the financial position of the Federal Government. The budget reform was implemented in two stages; the first stage as on 1 January 2009 and the second stage as on 1 January 2013 (Vienna, 2015).

Egbide, Omoleyinwa and Imoleayo (2016) undertook a study to investigate the influence of budget reforms, specifically; the Medium-Term Expenditure Framework (MTEF) and the Fiscal Responsibility Act (FRA) on related reforms and poverty reduction in Nigeria. The findings of the study revealed that indirect associations existed between budget reforms and poverty reduction. Historical time series data was collected representing 7 years before and 7 years after the adoption of MTEF and 5

years before and 5 years after the enactment of FRA. Utilizing the pre-test/post-test design of a Paired sample t-test, the results revealed that Poverty Index (POI) in Nigeria reduced after the introduction of both MTEF and FRA. However, while the reduction of poverty after the introduction of MTEF was statistically significant, the reduction after the enactment of FRA was not significant. The authors recommended the enforcement of stricter adherence to budgetary and other public finance management reforms in order to generate greater impact on the economy.

Some of the objectives of the budgetary reforms include the following; first, a budget is a tool for planning the organizational objectives to be accomplished during a particular timeframe. It acts as the roadmap which helps the institutions to realize their vision and mission. It is expected that a budget is a tool that can be used to achieve the aggregate fiscal discipline and good strategic allocation of resources for enhanced service delivery and realization of sustainable economic growth and development. However, to provide a good sense of direction a budget requires proper implementation by those entrusted to enforce it and also requires political goodwill. Second, a budget, apart from being considered as an instrument to achieve macro-economic objectives; it is also a documentation of government policies and priorities to be implemented so as to attain the predetermined strategic goals and more so to achieve operational efficiency in the use of public resources. Third, cash is the lifeblood of any organization; whether it is a private or a public entity. The financial sustainability of the organization is highly dependent on its liquidity position. Therefore, a budget is a device for predicting future organizational cash flows. It helps in the forecasting of future cash flows based on the historical data available to the entity (OECD, 2004).

Fourth, budgeting is also a very important tool for managerial decision making relating to how much, when and which areas the scarce resources should be allocated. It should be combined with capacity constraint analysis to determine where resources should really be allocated. Lastly, if a public organization is faced with a number of competing alternatives, each based on different scenarios, to estimate the financial outcomes of each strategic direction, then budgeting can act as a very important tool to achieve the best results. Lastly, budgetary control can be used as a means to facilitate control of costs and operations within the institution. Control can be realized by setting predetermined objectives at the beginning of the period, and comparing with the actual results at the end of the period so as to identify any variances in order to take remedial measures to rectify the situation (OECD, 2004).

Budgetary reforms are the process of making changes to how the government collects, spends money and the overall framework of budget and budget process also applies in public sector. The PFM cycle starts with the planning process and the planning function is coordinated by the planning units at the County Governments. The PFM Act (2012) clearly stipulates that the County planning process ought to be aligned to national priorities. The entire planning and budget cycle cover a five-year period although the implementation is on yearly basis. There are two major budgetary reforms that have been undertaken in Kenya under the latest PFM reforms strategy (2013-2018); namely: performance-based budgeting and participatory budgeting.

Performance-based budgeting is a budgeting technique whereby resources are allocated based on program areas and it is essentially based on the activities performed by the programs. This method of budgeting is used to align the organizational expenditure with the program objectives. The aim of the performance-based budgeting is to enhance efficiency and effectiveness of public expenditure by

linking funding of public sector organizations to the results they deliver. It shows the relationship between the taxpayers' money and the output of services provided by the governments. This type of budgeting technique could address some outcomes such as; reduction in the number of mortality rates of a certain health program, percentage decrease in the crime rate, improvement in the school mean score, increase in the output of agricultural produce etc. Performance based budgeting requires effective strategic planning regarding agency mission, goals and objectives. This process requires quantifiable data that provides meaningful information about program outcomes. The emphasis on to measuring and managing the results has renewed the interest in results-oriented budgeting process. In addition, the recent global financial and economic crisis has emphasized even more the potential role of performance-oriented budgeting practices. This poses relevant challenges to governments in order to improve budgeting systems and redefine budget formats, roles, features and types of information about costs, inputs, outputs, and outcomes becomes essential but their use and usefulness are challenging and controversial issues (Peters, 2011).

According to (Qi & Mensah, 2012) performance-based budgeting is intended to improve the performance of the organization in providing services and products to its citizens more efficiently and effectively by focusing on the outcomes expected relative to the amount of money that is spent, and then comparing the actual outcome with the expected outcome. Furthermore, the implementation of the Performance Based Budgeting in the public sector especially in the organization is strongly influenced by the policies of a political nature.

Marc and Jim (2005) states that performance-based budgeting is a procedure or mechanism to strengthen the linkages between the funds provided to the agency by government institutions with the outcome (impact) and or output, through budget

allocations based on 'formal' information about performance. Furthermore, performance-based budgeting aims at improving the efficiency of the allocation and productivity of government spending.

According to Demeulenaere, Corv and Bouckaert (2013), the performance-based budgeting must be accompanied by a broader performance management system, which consists of three steps, namely measurement, incorporation, and use of performance information. This involves a logical sequence of data collection, integration of the data into the management system, and finally uses the resulting information. Performance measurement is the collection of data related to performance systematically, while the incorporation is the addition of data to the documents and procedures with the ultimate goal of influencing organizational discourse, culture, and memory. Performance-based information is used to design policy, to decide, for the allocation of data sources, competence and accountability, control, evaluation and assessment of behavior and results, and to the substance of the reporting and accountability mechanisms.

Participatory budgeting is a technique whereby the public sector organizations design their financial plans based on the priorities provided by the various stakeholders through public participation. The stakeholders are asked to give their inputs towards the budget making process and thereafter the budgets are made to ensure that their inputs are incorporated in the final budget, ready for approval by the relevant authorities.

2.2.7 Relationship between Budgetary Reforms and Performance of County Governments

Budget implementation as a tool for public expenditure policy is very critical because it is normally affected by the way in which public expenditure is managed. Budget execution is a continuous process carried out throughout the financial period. The way in which revenue and expenditure are grouped for decision making is the most important aspect of budgeting. Several studies have been carried out on various aspects of budgeting.

World Bank Report (2008), globally, Spanish governments commenced the reform of the budgetary process during the first half of the 1980s with the implementation of program budgeting. However, internal budgetary practices did not alter greatly. The architecture of the whole didn't change significantly. The Ministry of Economy and Finance remained to be the agency in charge of controlling public expenditure, setting taxes, managing borrowings and setting overall economic and fiscal policy. This main central budget player did not pursue a policy of broad managerial reforms or modify the system to make it more managerial or business like. However, Spain has been a success in terms of budget stability as shown by strong fiscal discipline, the attainment of budget surpluses and the realization of debt reduction levels. It should be noted that that Spain boast of its decentralized system of government with a high proportion of public expenditure in the hand of the regional and local governments. The Spanish governments, including both the Socialist and the Popular Parties, progressively managed to scale down the deficit until the year 2005, when they achieved the first of a series of consecutive budget surpluses maintained over the past three years. So, budget stability was achieved, annual budget outcomes greatly enhanced, budget documentation partially changed, but Spain did not transform the

budget decision-making process. World Bank Report (2008), notes the set budgets require progressive consultations for properly made decisions and inclusion of the necessary budget items.

Ndakengerwa and Nyamita (2015) carried out a study to determine the national budget system and its relationship with public financial management within ministries in Rwanda. The findings of the study revealed that the national budget system and effects public sector financial management of selected ministries are significantly correlated. The study was carried out in Rwanda which is governed by the parliamentary system whereas the present study was carried out in Kenya which is under the devolved system of governance hence disparity in resource allocations.

Tat-Kei (2018) examined the implications of perfromance-based budget at the sub departmental program level suing case study. The study found out that performance measurement application is positively related to intradepartmental program budget changes. Hence, performance-based budgeting (PBB) can improve local budgeting despite severe political constraints. The study recommended that review of the analytical focus of PBB both in future and in practice. It is not clear whether budget reforms in Kenya have any influence on the perfromance of County Governments. The current stydy seeks to establish the relationship between PFMR strategy and the performnace of selected County Governments.

Makamanzi and Anockstage (2016) focused on a study to analyze the impact of budgeting and budgetary control on performance of Great Zimbabwe University. the outcome of the study indicates that there is inflexible budget structure, lack of lower level participation in budget process, poor supervision from management and ineffective implementation of budgets. The researcher recommends that the organization should adopt a flexibility budget structure, allow participation of low-

level managers in the budget making processes and ensure effective implementation of budgets. The study concentrated on the institution of higher learning in which the operations and management of resources may differ from that of County Governments as focused in the present study.

Kaboyakgosi (2011) underscores the need to make Botswana's budget process more transparent. He insisted that transparent or open budgets both facilitate and support timely, relevant public access to budget information, enhancing citizen participation in the budgetary process. He further argued that transparent budgets also strengthen the role and independence of oversight institutions such as Parliament and Supreme Audit Institution (SAI) or the Office of the Auditor General in order to engender budgetary accountability.

Tunji (2013) focused on the impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria. The outcome of the study revealed that budgeting is a valuable instrument that guides organizations to gauge whether their goals and objectives are actualized. In view of the changing environment in which firms now operate, it can be resolved that a budget, which is a continuous management activity, should adaptable to changes in the dynamic corporate setting. The study does not however link budgeting to performance. The current study seeks to establish the relationship between PFMR strategy and performance of selected County Governments.

Ojwang and Kimani (2016) conducted a study on the influence of budgetary controls on service delivery in the County Governments of Nakuru. The focus of the study was budgetary controls. The outcome of the study disclosed that budgetary control mechanisms greatly affected service delivery in the County Governments of Nakuru. There need to expand the scope of the study and incorporate the PFM in the study.

The current study seeks to the relationship between PFMR strategy and performance of selected County Governments..

Onyango (2014) performed a study on the influence of internal controls on performance of County Governments. The results of the study revealed that the County Governments failed to implement internal audits as recommended by the auditor general so as to enhance the management of public financial resources. The study further disclosed that there were no regular audit reports no audit meeting inadequate audit staff capacity and inadequate understanding of the global environment. The present study will establish the effects of both internal audit and external reforms contrary to the focus of the above study.

Kathungu (2016) carried out an investigation on the effects of budget utilization on the performance of selected County Governments in Kenya in Eastern Kenya Region. The researcher used purposive sampling to select the respondents. In findings, the author explained that budgeted actual County expenditure and revenues have significant positive influence on the financial performance of County Governments. Kathungu (2016) however only focused on tbudget utilization rather than the budgeting reforms. The present study will employ purposive sampling technique to select research participants.

Isaboke and Kwasira (2016) examined the effect of budgeting process on the financial performance of County Governments of Nakuru. The outcome of the study confirms that financial capacity in the budgeting process displayed a strong positive relationship with the financial performance of the County. The study used financial aspect as an indicator of performance while the present study used service delivery,

financial reports and number of completed projects as indicators of the performance of counties.

Cheluget and Morogo (2017) carried out a study on the effect of financial management practices on project performance in Uasin Gishu County. The findings of the study maintained that budgeting greatly influenced financial reporting and it further indicated that there is need to enhance the capacity of project managers so as to improve their analytical and reporting skills. The target participants under the above study were the project managers while the present study will focus on various specialists within the county treasury.

Ocansey (2014) carried out a study to establish the factors affecting budget execution by County Governments in Kenya. The study used descriptive statistics to analyze the data. The outcome of the study shows that internal audit functions and County fiscal responsibility significantly in determined County budget execution and hence recommended effective organization and operation of internal audit functions and the strengthening of the legislation framework. The current study will use both descriptive and inferential statistics to analyze data.

Wangui (2014) determined the challenges encountered by the County Governments in Kenya during budget preparation process. The study utilized exploratory research design. The results of the study revealed that political influence and public participation to a large extent affect the budgeting process. The report further recommended strengthened capacity building among the County treasury staff and enhanced public engagement in the budget making process. The present study will use correlation research design (Wangui, 2014).

Nyanumba (2017) executed a study to document the influence of budget planning on financial sustainability of County Governments in Kenya. The target population of the study adopted a survey research design where combinations of probabilistic and non-probabilistic sampling techniques were employed in determining the sample size of the study. The findings of the study indicated that budget planning was an effective strategic tool for achieving financial sustainability and development coordination in the County Governments and that this is achieved best with strict adherence to budgeting procedures laid out in the PFM Act (2012). The study also noted a strong positive relationship between budget planning and a financial sustainability and performance of the County Governments. The study further found out that most of the County Governments had diversified their revenue streams as financial sustainability strategy for performance. The relationship between budgetary reforms and performance of County Governments will be evaluated in terms of alignment with the CIDP, compliance with regulatory processes, budget formulation and implementation, and budget reviews.

Magani and Gichure (2018) conducted a study to examine the influence public financial management reforms on budget implementation by Kenyan city counties. The study relied on an expost-facto correlation research design with a survey method to determine the relationships between the study variables.

The study relied on primary data collected from the treasuries and department of economic planning, budget offices, IFMIS departments and sectoral departments of Nairobi City County, Mombasa City County and Kisumu City County respectively. Secondary data was obtained from the annual County Governments' budget implementation reports. The data was analyzed using inferential statistics. The study revealed strong positive and statistically significant correlation between fiscal

decentralization and budget implementation while IFMIS re-engineering had a negative and statistically insignificant correlation with budget execution.

2.2.8 Integrated Financial Management Information System (IFMIS) Reforms

The past three decades have seen rapid advances in the field of information and communication technology. According to Casals (2009) IFMIS can be defined as the use of information and communications technology (ICT) in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the context of government, IFMIS specifically refers to the computerization of Public Financial Management (PFM) processes, from budget preparation and execution to accounting and reporting.

According to the Ministry of Finance (GoK), Integrated Financial Management Information System (IFMIS) can be described as an automated system that is used for public financial management. It interlinks planning, budgeting, expenditure management and control, accounting, audit and reporting. The IFMIS was designed to improve systems for financial data recording, tracking and information management.

IFMIS can be further described as standardized reporting and monitoring system that consolidates all government information needs into one information database aimed at facilitating consistent recording and reporting of government information for making micro decisions that affects the performance of the national and the County Governments (GoK, 2003).

The Integrated Financial Management and Information System (IFMIS) system was initially adopted in Kenya in the year 2003. Under the IFMIS reforms it was deemed necessary to introduce a full cycle end-to-end integrated approach for efficient and effective public financial management and service delivery to citizens. The key

modules that encompass IFMIS reforms include: Accounts Payable, Accounts Receivable, Purchasing Order, Fixed Assets, General Ledger, Cash Management and e-Procurement.

Most of the developing countries adopted IFMIS so as to enhance the effectiveness and efficiency of public financial management practices. This has facilitated the governments to find real time solutions to the problems faced due to poor financial management of public resources. Kenya has undertaken many financial reforms since 1998 through the assistance of the World Bank which includes rolling out of IFMIS which was introduced actively in 2003 in all government ministries.

The National Treasury and Economic Planning ICT Master Plan 2001-2005 was the origin of the implementation of IFMIs in Kenya after highlighting gaps and weaknesses within the system that was currently in use. The master plan recommended the development of modules comprising: asset management, accounting management, revenue management and establishing interfaces with the Kenya Revenue Authority (KRA), National Payment Information system and the Ministry of Labour for payroll and human resource management modules (National Treasury, 2016).

Kenya in 2003 contracted an Enterprise Resource Planning System (ERP), called Oracle Financials to help design IFMIS software which consolidated the core modules of the Government Ministries like purchasing, accounts payable, general ledger, cash management and public sector budgeting modules (GoK, 2003).Since the introduction of IFMIS in Kenya, it has greatly impacted on the financial management of government resources in auditing, accounting, human resources, reporting and asset management (USAID, 2008).

According to International Development Research Centre (IDRC) team, Kenyan researchers and organizations collaborated with the Government of Kenya in identifying the technological, social and institutional structures needed for successful ICT policy implementation. This led to the development of effective IFMIS implementation strategies and detailed plans by creating awareness through workshops and training for senior government officials who then will cascade the same to junior employees of the government.

The adoption of IFMIS was aimed at achieving certain objectives including ensuring that all Government of Kenya agencies (Central and County) had timely and appropriate access to an integrated financial management system by June 2012. This was done in order to pull all government financial matters into one system. For example, the financial management system has been interfaced appropriately with key agencies, including the CBK, KRA, pensions, payroll and budgeting (Jahangirnagar University, 2017).

The introduction of IFMIS was also necessitated by the need to ensure that the financial management system was fully aligned with the new Government structure and public financial management policies and regulations. This has been realized through various amendments of legal framework reforms on the use of IFMIS by both levels of government. It was also expected that the IFMIS would enhance accountability and transparency in the use of public funds by generating timely and accurate reports from the financial management system. Furthermore, IFMIS was intended to provide a secure and reliable financial management system.

2.2.9 Relationship between IFMIS Reforms and Performance of County Governments

The Government of Kenya adopted IFMIS with the objective of integrating all its operations in all MDAs. The concept of Integrated Financial Management System (IFMIS) was implemented in the year 2003. Establishment of e-Government under e-government strategy (2003) which led to the establishment of Information communication technology units across all Governments, Ministries and agencies, Improvement on infrastructure, local area networks and wide area networks has contributed significantly towards implementation. There existed different manual systems with no infrastructure and massive loss of public funds and lack of control of expenditure. The fast technology advancement in the country such as the fiber optic is a major driver towards achieving the same.

Establishment of Government Common Core Network (GCCN) connecting all the Government ministries and agencies has fulfilled the realization of the benefits of the integrated information management system at the National Treasury (Hendriks, 2013). Hendriks (2012) carried out a study to order to identify the challenges and risks that are involved in the implementation of the IFMIS in South Africa public service. The methodology that was used is that of a literature study where theories were explored and used to solve a research problem. Based on the theoretical research, solutions and guidelines were developed to solve challenges and risks experienced. The findings of the research revealed that there are many challenges involved with the implementation of an IFMIS. However, the author stated that there are critical success factors or best practices that can be used for the project to succeed.

Hashim, Ali, Piatti-Fünfkirchen and Moritz (2018) implemented a research work to develop a framework that outlines the various steps involved in reform of the financial information management system; that illustrates how change is expected to happen. The researcher identified three major dimensions namely: diagnostic phase, systems development lifecycle and coverage and utilization. The paper maintains that attainment of the financial management information systems production frontier requires optimization across these dimensions and that a programmatically coherent approach is required to realize fully the expected improvements in budget management.

According to the World Bank (2012), IFMIS implementation status report for Liberia indicated that the project was aimed at improving the efficiency of the Government's accounting system through the provision and installation of a computerized financial management information system in the Ministry of Finance and through strengthening manual accounting systems in the Ministries and County Governments. Based on the report, the project development objectives have been achieved resulting in the achievement of the following outcomes: fully operational, modern computerized accounting system in the Ministry of Finance that is capable of producing complete, accurate, and reliable financial statements for the government of Liberia, and smooth budget execution through improved systems for budget allotment, commitment control, procurement, cash planning, and reporting.

Fozia (2016) undertook a study to examine the effect of planning, financial prudence, supplier integration through vendor managed inventory practices on the in Kenyan state corporations. The study noted that sufficient effort needs to be directed towards the evaluation of new suppliers, categorizing new customers together with a focus on appraisals on marginalized groups and there is need to focus on Integrated Financial

Management Information Systems as it will help implement preference regulations. The study focused on IFMIS as a single component of PFMR reforms and financial reporting.

Micheni (2017) purposed to analyze the Critical Success Factors of Integrated Financial Management Information systems in County Governments in Kenya. The study focused on the following research objectives; perceived benefits, top management commitment, change management, human capital development and technological infrastructural development as success factors for IFMIS implementation at County Governments. The findings of the study identified change management, technological infrastructure, human capital development and top management commitment as the critical success factors in adoption of IFMIS in County Governments. The study maintained that for IFMIS implementation to be very effective and efficient in enhancing transparency and accountability within the County Governments, change management is a prerequisite and County Governments should organize capacity building on IFMIS, adopt phased implementation and testing of the financial management software. Micheni (2017) further recommended political support for the successful implementation of IFMIS. The study focused on the implementation of IFMIS while the present study will focus on the effects on performance of County.

Ogachi V. (2016) investigated the factors influencing the Implementation of Integrated Financial Management Information Systems (IFMIS) in Kenyan County Governments. The outcome of the study revealed that most County Governments did not have different strategic approaches to IFMIS implementation; the ICT platform for the roll out IFMIS however found to be in place; there are were regular skills

upgrading courses on IFMIS and no motivation to retain skilled personnel; the political class was found to be unsupportive of IFMIS. The County Governments fund allocation was found to be inadequate towards implementation of IFMIS. The study recommends that for IFMIS implementation to be effective in the County Governments, the National Treasury and County Governments should organize regular skills upgrading courses on IFMIS; the ICT platform should be upgraded; IFMIS to be rolled out in the County Governments and finally the national government should allocate more resources towards implementation of IFMIS. Wisna (2015) conducted a study to determine the impact of organizational culture on the quality of accounting information systems. Overally, the study found out that organizational culture affects the quality of accounting information systems. The study concentrated on the relationship between organizational culture and the quality of accounting information system. However, the current study will focus on effects of PFMR strategy on performance of selected County Governments.

Based on a research study carried out by Ngahu (2016) to assess the influence of IFMIS on financial management in County of Nakuru, Kenya, it was found that financial reporting had a significant positive relationship with financial management in the County of Nakuru. The study recommended that the County should embark on the process of enhancing the usage of IFMIS to improve on financial reporting in order to enhance financial management in the County. The study focused on the influence of IFMIS on financial management as opposed to its effects as focused in the present study (Ngahu, 2016).

Jared and Mutambara (2017) carried out a theoretical review of the critical success factors that impact the implementation of an Integrated Financial Management Information System (IFMIS) with a view to identify factors applicable to the Migori

County of Kenya. The review identified the key factors to be fused in the proposed IFMS framework. The proposed framework draws from the Technology Acceptance Model (TAM), Innovation Diffusion Theory (IDT) and the Work around Theory (WAT). The authors claim that fusing these theories into the IFMIS system will lead to successful adoption of use of modern technology within the public sector IFMS. The study specifically identified such factors as; technical, organizational, environmental, cultural and ethical behavior. These factors could improve efficiency and transparency in organizational processes and operations.

Kiilu and Ngugi (2014) argue that the adoption of IFMIS has led to effective management of public funds in Kenya National Treasury. IFMIS has enhanced automation of government processes, enhanced reporting, enhanced record keeping and enhanced communication, customization of government processes and integration of government processes.

Njonde and Kimanzi (2014) carried out a study on the effect of integrated financial management information system on performance of public sector using the case of Nairobi County. The study found out that 68% of the respondents agreed that accuracy and speed were some of the benefits realized from using the IFMIS 34% recorded no benefits realized on use of the system 84% of the respondents from that study indicated that budgeting has improved by use of IFMIS and that there was timely preparation of the budget. The research used case study design whereas the present study will utilize correlation research design.

Musee (2011) found that effective use of IFMIS is affected largely by sabotage and resistance. The study also established that high level support for use of the system is lacking and top management did little to inspire the user. The capacity and technical

knowhow was found to be low due to lack of training and the hurried implementation of the system. The study targeted state corporations while the present study will concentrate on the devolved units.

In the study, the IFMIS reforms were gauged through IFMIS adoption, capacity building of the users, IFMIS integration with other PFM systems, security of IFMIS systems and provision of IFMIS infrastructure.

2.2.10 Financial Reporting Reforms

In the new global economy, financial reporting frameworks have become a central issue for both the private and public entities and they have been the object of research since the 1930s. Streamlining the accounting system in accordance with "world's best practices" will result in consistency and transparency in the financial management of the country, ensure good governance, boost the confidence of investor, and contribute to strengthening the economy (Miraj & Wang , Analysis of Accounting Reforms in the Public Sector of Pakistan and Adoption of Cash Basis IPSAS, 2018).

According to Jesus and Eirado (2012) embracing of accountability concept in an organization is vital since it requires public management to be transparent and informative and managers to be accountable for both the results obtained and the resources they used. They maintained that public sector financial reporting assumes a specific role as it signifies the main tool for recording and reporting management's activities thereof providing the information. Therefore, public financial reporting system contributes significantly to the realization of public financial management objectives on internal and external reporting.

Reforms in financial reporting systems are relevant to the usefulness of public financial reporting reforms. The public sector accounting can be described as a system

which gathers, records, classifies and summarizes as reports the financial events existing in the public sector and as required by accountability and financial transparency provides information to information users associated to public institutions. The public sector comprises of governments and all publicly controlled or publicly funded agencies, enterprise, and other entities that deliver public programs, good, or services.

According to the National Treasury (2016), financial reporting is defined as an act of recording financial operations of an entity during budget implementation period and reporting them so as to make the public institutions accountable to budget implementation results. The PFM Act (2012), clearly outlines the procedures and obligations governing accounting and reporting in public institutions.

International Accounting Standard Board (IASB), states that the objectives of financial reporting are; "to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions."

Financial reporting involves the provision of financial information to the various stakeholders about the financial performance and position of the organization over a specified period of time. These stakeholders include – investors, creditors, public, debt providers, governments and government agencies. Financial Reporting is usually considered as the end product of financial accounting. Accounting and reporting look at whether accurate and reliable records are maintained and information is produced and disseminated at appropriate times to aid decision-making, management, and reporting (KIPPRA, 2018).

Javed & Zhuquan (2018) executed a study to describe the accounting reforms executed by the Government of Pakistan and the adoption of International Public Sector Accounting Standards (IPSAS) cash basis for financial reporting. The results of the study indicated that the financial statements of the Government of Pakistan comply with the requirements of cash basis IPSAS. The study recommended transitioning from cash to accrual accounting system because Pakistan has reflected a satisfactory margin after the new reforms had been implemented.

Bolívar and Galera (2013) carried out a study to examine whether Fair Value Accounting (FVA) could improve the usefulness of governmental financial statements for citizens under NPM reforms. To achieve this objective, the authors analyzed the opinions of the National Accounting Standards Setters on the utility of FVA in the introduction of NPM models in countries under different administrative traditions. The findings of the study revealed that FVA could promote successful NPM reforms, enhancing the implementation of the postulates of efficiency, transparency, and benchmarking analysis. Furthermore, the authors found out that administrative tradition could influence National Accounting Standards Setters' viewpoints regarding the capability of financial information based on FVA to meet the new information requirements under NPM models.

Financial reporting is a comprehensive accounting framework that involves recording of financial transactions and production of financial statements. Kenya adopted International Accounting Standards (IAS) in 2000 through the Institute of Certified Public Accountants of Kenya (ICPAK). These standards were, however, largely used by the private sector. The Public Sector relied largely on accounting principles which were not standardized across the sector. In 2008, the then Minister of Local Government issued a directive that all Local Authorities to adopt International Public

Sector Accounting Standards (IPSAS). However, there was no clear mechanism to implement the same.

Some public sector entities adopted IFRS while others summarized the Government Chart of Accounts. This non-uniformity made it difficult for the Auditor General to audit public sector entities as it was not clear what constituted annual financial statements. This necessitated the harmonization of reporting in the public sector.

The Public Sector Accounting Standards Board (PSASB) was established as part of PFM reforms in Kenya following the promulgation of the new Constitution in 2010 and the subsequent enactment of the Public Finance Management (PFM) Act in 2012. The board has adopted international public-sector accounting standards (IPSAS) as the basis for public sector accounting. In general, IPSAS provides for two alternative bases of accounting: the accrual and the cash basis. PSASB adopted the cash basis for National Government and counties; hence all County Governments are expected to adhere to this requirement. SAGAS use IPSAS whereas some commercial entities use IFRS. The major aims of International Public Sector Accounting Standards (IPSAS) are the international accounting harmonization and comparability of financial statements, as well as the improvement of the reliability and transparency of accounting information. Based on accrual accounting principles, these standards are expected to assist the countries that adopt this use to modernize their existing accounting systems. The renewed interest to create such an accounting framework was as a result of the need to strengthen the fiscal and accounting discipline and exercise a greater control of public accounts (National Treasury, 2015).

According to FASB (2018) the Conceptual Accounting Framework outlines the following functions of the financial accounting statements and reports: The financial statements of an organization are very useful in providing information to management

of and is used for the purpose of planning, analysis, benchmarking and decision making. Planning entails setting the strategic goals and objectives to be accomplished within a particular period of time. The information provided must first be subjected to proper scrutiny before being used for decision-making. Besides that, the information is also used for benchmarking against other the performance of other comparable entities. Financial reports and statements also provide information to investors, debt providers and creditors which is used to enable them to make rational and prudent decisions regarding investment opportunities, to determine the credit-worthiness of the organization and other aspects of the concerned entity.

Financial reporting seeks to provide information about the economic resources of an organization, claims to those resources (liabilities and owner's equity) and how these resources and claims have undergone change over a period of time. Accounting reports further provide information as to how an organization is procuring goods and services and using the various resources to increase the shareholders' value. Providing information to various stakeholders regarding performance management of an organization as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. The reports further provide useful information to the statutory auditors which in turn facilitate audit process. It also helps in enhancing social welfare by looking into the interest of employees, trade unions and Government (FASB, 2018).

There are numerous reforms under financial reporting reforms theme; however, priority areas include the adoption of International Public Sector Accounting Standards (IPSAS) and the introduction of Standard Chart of Accounts (SCOA). PFM Act section 166, 2012 requires County Governments to prepare quarterly financial reports and deliver copies to the National Treasury, CoB and CRA while County'

treasury circular requires preparation of reports of performance of the whole budget during the execution stage.

The Public Sector Accounting Standards Board (PSASB) was established as part of PFM reforms in Kenya following the promulgation of the new Constitution in 2010 and the subsequent enactment of the Public Finance Management (PFM) Act in 2012. The board has adopted international public-sector accounting standards (IPSAS) as the basis for public sector accounting. In general, IPSAS provides for two alternative bases of accounting: the accrual and cash basis. PSASB adopted the cash basis IPSAS, hence all County Governments are expected to adhere to this requirement (National Treasury, 2015).

2.2.11 Relationship between Financial Reporting Reforms and Performance of County Governments

The financial and sovereign debt crises underscored the necessity for improved financial reporting by governments globally, and the requirement for enhancements in the management of public sector funds. The continuing outcome of these crises has strengthened these needs and has amplified the pressure on governments and public sector organizations to better manage public resources (AU, 2018).

The joint meeting noted that globally, most governments and institutions have been at the front advocating for the adoption and implementation of IPSAS accrual accounting practices. It has been established that a robust and transparent financial reporting has the potential to improve public sector decision making and make governments more accountable to their citizens. The discussion further emphasized that the International Public Sector Accounting Standards Board (IPSASB) plays a substantial part by developing International Public Sector Accounting Standards (IPSAS) which is pivotal in the establishment of a strong public financial

management system thus improving the value and credibility of the financial reporting in the public sector. Based on the outcome of the meeting, African Union effectively adopted and implemented the accrual-based IPSAS in 2014. The implementation of IPSAS has accrued some fundamental benefits for the African Union including, alignment of the financial reports with the international best practices, effective and efficient transparency and accountability that promote good corporate governance and finally it facilitates the comparability of financial statements. The end product of all these, is the improvement in performance Institutions towards their stakeholders (AU, 2018).

The cash basis IPSAS has been adopted and implemented by many governments including Kenya as a transitional step towards accrual based IPSAS. The Cash basis accounting has been the mainstream accounting and financial information system in the public sector for a long time globally. Although cash accounting has its merits, accrual accounting was introduced to improve the financial information system of public sector entities (Christiaens, 2010).

According to International Federation of Accountants (2008) cash basis of accounting is 'an approach of accounting that recognizes transactions and other events only when cash is received or paid'. It measures financial outcome for a period as the difference between cash receipts and cash payments. Cash flow statements and cash balances are the generally maintained under this system (IFAC, 2008). A modified cash accounting system recognizes transactions and other events on a cash basis during the year, but it also takes into account additional disclosures such as liabilities (pending bills) and fixed assets registers to aid the governments to gradually migrate to accrual based IPSAS. A modified accrual accounting system recognizes transactions and other events on an accrual basis, but certain types of assets or liabilities are not recognized.

A typical example is the recording of all non-financial assets at the time of purchase. An accrual basis of accounting is ‘a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate (IFAC, 2008).

Christiaens (2010) undertook a study to examine the impact of IPSAS on transformation of governmental financial information systems in the European Governments. The research analyzed the adoption of IPSAS accrual accounting and how the extent of adoption of levels. The findings of the study showed the diversity in the adoption process of IPSAS and accrual accounting. It indicated that some governments still use cash-based accounting and only few apply IPSAS. The majority of public sector institutions apply accrual accounting disregarding IPSAS. The adoption accrual accounting was necessitated by urge to enhance transparency and efficiency. The fact that the IPSAS are unique and offer specific know-how is the main argument for making use of them. However, the results further pointed out that many jurisdictions do not adopt IPSAS because they transfer their own local business accounting rules. The study focused on IPSAS as a single component of financial reporting whereas the present study will concentrate on other components of public financial management reforms.

Bellanca and Vandernoot (2014) carried out a study to analyze the implementation level of International Public Sector Accounting Standards (IPSAS) in the member states of the European Union (EU). The study classified the states based on their formal implementation levels of IPSAS. It further analyzed the types of accounting bases used by the states under study. The findings of the study indicated that

significant disparities among the member states, both for the application of IPSAS and for the type of accounting that is used. The report further showed that even if IPSAS is not legally adopted in most European member states, there is a tendency to use modern accounting systems based on accrual accounting close to IPSAS. The study concentrated in European Union member states while the present study will focus on adoption of IPSAS in developing countries specifically in Kenya.

Nkwagu (2016) conducted a study to determine the effect of IPSASs on accountability of Nigeria public sector with emphasis on its relationship with the management of public funds, effective budget implementation, and checking of cases of corruption among public officers in the South Eastern states of Nigeria. The findings of the study showed that IPSASs adoption improves accountability in the Nigerian public sector as the standards pave way for improved management of public funds. It further displays that application of IPSASs lead to effective budget implementation and checks possible cases of frauds in the Nigerian public sector. The study concluded that the economy of Nigeria would be better off if full implementation and sustenance of IPSASs is made in the country, having perceived IPSASs as the agents of the desired transformation in Nigeria. The study further, recommends that Nigerian government ought to offer the necessary necessities for full execution and sustenance of IPSASs in the public sector, if it is actually sincere and serious about attacking corruption in the country and at the same time prepare financial statements that can be comparable anywhere in the world. The study used comparative analysis whereas the present study will utilize descriptive analysis.

Christiaens *et al.* (2014) sought to establish the extent IPSAS accrual accounting is adopted in centered /local governments globally and they further examined which factors affect the differing level of their adoption. The study revealed that there was a

gradual adoption of IPSAS accrual accounting although there was some level of reluctance especially in central governments.

According to OECD (2016), study on a comparative analysis of public procurement system in the three East African County Governments concluded that these countries have undertaken various initiatives to make public procurement systems more effective/efficient and transparent in line with international procurement best practices. The study further called for an urgent need for strengthening institutions involved in public procurement especially in technical and human resources capacity areas.

Legenkovas (2016) conducted a study determine the impact of International Public Sector Accounting Standard (IPSAS) on reliability, credibility and integrity of financial reporting in State Government administration in Russia. The outcome of the study pointed out that the adoption of the program for Federal Accounting Standards development and subsequent formulation of the standards would facilitate the transition of domestic accounting to a better level.

Ijeoma (2014) carried out a research study to ascertain the impact of International Public Sector Accounting Standards (IPSAS) on reliability, credibility and integrity of financial reporting in State Government administration in Nigeria. The results of the study showed that implementation of IPSAS will improve the reliability, credibility and integrity of financial reporting in State Government administration in Nigeria. It was also noted that implementation of IPSAS based standards can facilitate efficient internal controls and result based financial management in the public sector of Nigeria. Equally, it was found that implementation of IPSAS can enhance Federal Government's capacity to significantly deliver services more effectively and

efficiently. The study used content analysis in presentation of the findings while the present study will use frequency distribution Tables, pie charts and bar graphs in presentation of the findings.

Ocansey (2014) conducted comparative study on the adoption and implementation of international financial reporting standards in Ghana and Nigeria. It was found that Ghana and Nigeria began the adoption process in 2005 and 2010 respectively. It was found out that, the national standards of Ghana and Nigeria were closely related and had both were deficient of certain standards and disclosure requirements. In addition, it was disclosed that the IFRS' adoption and implementation required a new set of skills and expertise. The study recommended that, both Ghana and Nigeria should work on skills and expertise gap through training and development and to ensure that these standards are included in the academic and professional curricula. Moreover, regulatory bodies should monitor and enforce these standards but where local content is needed, convergence should be the solutions. The study used comparative analysis IPSAS implementation in Ghana and Nigeria whereas the present study will utilize correlation design.

Bukenya (2014) executed a study to establish the relationship between the quality of accounting information and financial performance of the public sector in Uganda. The study adopted a blend of cross-sectional and correlation research designs and used stratified random sampling the findings of the study demonstrated that relevance, reliability, understandability, accuracy and timeliness were true measures of the quality of accounting information through factor analysis. Further it was discovered that a significant positive relationship existed between the financial performance and the financial information quality. The study recommends that it was desirable for public sector entities to employ highly skilled professionals who adhere to reporting

requirements of the legal and regulatory framework. The study was done in Uganda which operates under centralized form of governance while the present study was done in Kenya which operates under devolved system.

Aleg (2016) carried out a study on the challenges facing the adoption and implementation of IPSAS by the United Nations Agencies in Nairobi. The findings of the study are that technological, organizational, financial and perceived usefulness challenges significantly affected the IPSAS adoption by UN agencies. The study used secondary data in its analysis. However, the present study will utilize primary data in its analysis.

Alijarde and Julve (2014) carried out a study to analyze the differences in practice between the results disclosed in financial and budgetary statements under both bases of accounting so as to identify the extent accrual accounting has been implemented and to verify whether budgetary and accrual based financial figures are significantly different. The results indicated that that there is a correlation between the current budgetary results and the economic results and, therefore, the practice of accrual principle had not been implemented effectively.

Atuilik (2013) investigated the relationship between the adoption of IPSAS and perceived levels of corruption in developing and developed economies. The findings of the study conclude that levels of perceptions of corruption for developed countries that have implemented IPSAS do not differ greatly with the levels of perceived corruption for developed countries that have not implemented IPSAS; however, perceptions of corruption differ significantly between developing countries that have adopted IPSAS and developing countries that have not adopted IPSAS. The report recommended the adoption of IPSAS by the governments of developed countries so as to upscale their ratings on the perceptions of corruption. The dependent variable for

the study was corruption while the present study will use performance as the dependent variable.

Nderitu (2018) in his study focusing on the effect of public sector accounting standards on financial reporting of County Governments in the central region of Kenya. Found out that the financial reporting standardization has greatly enhanced budget information reporting in the public sector in Kenya. The study further concluded that IPSAS has improved financial reporting among the devolved units in Kenya. The study used survey research design in its methodology while the present study will use correlation research design.

Okungu (2015) focused his research study on the impact of IPSAS implementation on the financial reporting in the public sector in Kenya. The study used probability sampling technique in determining its sample while the present study used purposive sampling. The outcome of the study shows that adoption of IPSAS greatly enhance accountability and comparability of financial statements and in addition boost the reliability of the accounting information to the end users for decision making.

The financial report reforms were evaluated based on adoption of IPSAS, maintenance of proper books of accounts, adequacy and timely preparation and submission of consolidated financial statements, operationalization of treasury single account and funds transfer from the exchequer to the County.

2.2.12 Audit Reforms

Recent developments in the field of corporate governance have led to a renewed interest in audit function in the public sector. Auditing is the process of reviewing financial statements and evaluating the accuracy of the information provided, which is crucial for investors and other stakeholders of an organization (Schelker , 2013).

Since the 1200s, and the early development of firms, auditing has been in existence (Watts & Zimmerman, 1983).

During 2003, the International Federation of Accountants (IFAC) reviewed its governance activities and regulatory responsibilities to determine how it could strengthen its role in ensuring that accountants worldwide fulfill their public interest responsibilities. As part of this process, IFAC engaged in an intense series of consultations with international regulatory agencies and other regional and international organizations. It also consulted with its member organizations and the accounting professions. The result of this collaborative effort was a series of reform proposals that IFAC considered critical to the strengthening the accountability of the international profession and building investor confidence in financial reporting, in the work of auditors, and in financial securities markets worldwide (IFAC,2003).

External auditing was first used to check on managers on behalf of shareholders, in the manner of detectives (Shapiro & Amy, 2004). Audit Reforms is a transformation of a systematic and independent examination of accounting records of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. The aim of auditing is to guarantee responsibility and oversight of public assets. The oversight role entails the checking of tasks to maintain the integrity and improve public trust in government establishments by considering them responsible for their activities and choices in administration of public asset. The legislation strengthening the operations of these institutions include the PFM Act (2012), the Public Audit Act (2015) and the Public Procurement and Assets Disposal Act (2015).

The European Parliament approved the regulations intended to reform the audit market in the EU and it was expected that the legislations were to be implemented in

the 28 Member States of the EU in 2016. It was anticipated that these new legislations would bring about improvement in audit quality, strengthen auditor independence and promote effective corporate governance. The adoption of International Standards on Auditing (ISAs), expanded auditor reporting requirements and strengthening of the role of independent audit committees were believed to positively contribute towards audit quality (KPMG, 2014).

Asif, Sven-Olov, Fredrik and Niklas (2018) carried out a study to establish the effect of abolishing mandatory audits for small firms by European Countries on reduction of regulatory and administrative burden for these firms. The results of the study pointed out that firms which satisfied the requirements for voluntary auditing, compared to a control group of similar firms that did not, increased their employment growth rate by 0.39%. This corresponds to 1,830 jobs being created in the year following the reform, signifying that mandatory audits act as a growth barrier for small firms.

Pearson (2014) conducted a study to assess the changes to auditing practice in the context of broader changes in the public sector in Australia. The results of the study indicated that the role of government audit mirrors the changes in the public sector. Whether audit fulfils this role depends on having the right legislation and the right approach. The study further disclosed that government auditors are continuing to explore new ways to give parliament, as well as the sector, authoritative opinions and commentary that is relevant and valuable.

Mayne (2006) conducted a study to assess audit and evaluation in relation to public management and the audit challenges in public sector. The author found out that Audit and evaluation performed different roles in public management and provide different information on the performance of public sector organizations, each playing to its own strengths.

The PFM Act (2012) requires the creation of internal audit with clear mandate. According to the institute of internal Auditors (IIA), internal auditing is an independent, objective assurance and consulting activity designed to add value by improving organizations operations and helping an organization to accomplish its objective by creating a systematic and disciplined approach to establish and improve the effects of risk management, control and governance processes". Therefore, the main function of internal audit is strengthening the organizational internal controls. Each County Government's internal audit department are mandated by the PFM Act to report on the adequacy and effects of County Governments Entity's internal control system, adequacy and effects of the entity's risk management, adequacy and effects of governance process and the likely causes of any weaknesses observed, implications and the agreed remedies (PFM, Act 2012).

Ahmad *et al.* (2012) carried out a study to explore the significance of internal auditing in the Malaysian public sector, and its subsequent extent and influence in public sector hierarchy and decision making. Data was collected using a questionnaire. The outcome of the study reveals that the internal audit function in the public sector in Malaysia is curtailed by understaffing and hampered by inadequate support from top management while, the auditors occasionally extend their full cooperation. The auditors themselves were found to lack appropriate knowledge and training on effective auditing approaches. The negative perception accorded to internal audit led to inaction by management on recommended remedies.

Anthony and Maleya (2014) carried out a study to determine the relationship between financial management reforms and the economic performance of the public sector in Kenya. The study used descriptive survey design. The population was the 42 ministries and departments that were in existence during the period of the study. Data

was collected from secondary and primary sources for five years between financial years 2007/2008 – 2011/2012.The outcome of the study indicated that financial reforms achieved more than half of the intended performance targets over the period under investigation. The report further showed that budgetary reforms had the strongest explanatory power on performance indicators, followed by accounting reforms and audit reforms. The study concluded that audit reform does not improve performance of public sector entities while budgetary and accounting reforms are the most effective tools. The present study will use primary data in its analysis. However; this study was conducted before implementation of County Governments in Kenya. The current study focused on the relationship between PFMR strategy and the performance of selected County Governments in Kenya.

PFM Act, 2012 Section 155, requires the County Governments to establish an Internal Audit Committee. The establishment and functions of the audit committees are clearly laid down in the constitution of Kenya (2010) and PFM Act 2012.The objectives of the audit committee include: rendering support to the Accounting officer in discharging their mandate provided for under the PFM Act and other subsidiary legislation, to enhance the efficiency and effects in operations and service delivery, to assist the Accounting officers in identifying the priorities for action according to their strategic objectives, to help on public accountability and finally enhance oversight on risk management. The audit committee should be independent of the management team and should show high levels of integrity and be compliant with the established legislations. An established Audit committee is expected to aid the management in discharging its accountability responsibilities such as safeguarding of assets, operate adequate systems and control and preparation of fiscal reports.

Dwiputrianti (2011) implemented a study to examine the quality of information in the audit reports of the Indonesian State Audit Institution. Comparison was made between pre-audit reform (1945-2000) and post audit reform (2001-2009). The study also sought to establish the factors influencing audit information. Data was collected using triangulation of observations, documentation, questionnaires and personal interviews. Purposive sampling and snowball techniques were applied in this study. The outcome of the study indicated that the Indonesia's Executive has historically neglected the roles and functions of Indonesian State Audit Institution (ISAI) have been attempting to improve its professionalism and independence to provide better quality audit reports. It further showed that independence, professionalism and integrity are among the most important factors that influence public sector audits. The study was based in Indonesia but since geographical differences may influence results to conduct similar study in Kenya.

Wide-ranging regulatory changes brought on by recent corporate governance reforms have generally redefined and re-emphasized the roles and responsibilities of all the participants in a public company's financial reporting process. Most particularly, these reforms have intensified scrutiny of corporate audit committees, whose role as protectors of investors' interests now attracts substantially higher visibility and expectations. As a result, audit committees face the tough challenge of effectively overseeing the company's financial reporting process in a dramatically changed and highly charged corporate governance environment (Vera-Mun˜oz, 2005).

Marete (2013) carried out a study to establish the role audit committees in the public financial management in Kenya, focusing on the government ministries. Internal audit reforms are now a core component of the government's wider PFM Reforms Strategy. The study was a descriptive design. The population of the study comprised all the

members of audit committees in the 44 Ministries. Stratified and simple random sampling was used in coming up with the desired sample size for the study. The study focused on Government Ministries but the present study will focus on County Governments.

The results of the study pointed out that that audit committees enhance transparency in ministries, they ensure observation of government policy, they reduce corruption, they effective use of resources and they drive ministries to realize their performance targets. The study concluded that audit committees play a crucial role in public financial management.

Public-sector auditing is indispensable for the public administration, as the management of public resources is a matter of trust. Responsibility for the management of public resources in line with the intended purposes is entrusted to an entity or person who acts on behalf of the public. Public-sector auditing enhances the confidence of the intended users by providing information and independent and objective assessments concerning deviations from accepted standards or principles of good governance (Oluoch, 2018).

An external audit in Kenya is the mandate of the Kenya National Audit Office (KENAO). According to the report of the Office of the Auditor General (OAG) (2018) initially the Office was referred to as the Exchequer & Audit Department which with time changed to the Office of the Controller and Auditor-General. During this period, the Office derived its mandate from the Exchequer and Audit Act Cap 412 which provided for the audit of the Central Government by the Office of the Auditor General.

According to section 68 of the PFM Act 2012, all government entities are now required to prepare annual financial statements for each financial year within three months after the end of the financial year and submit them to the CoB and the OAG for audit. OAG's responsibilities include expressing an audit report on MDA's, raise any audit issues relating to the audit of the financial accounts, and will also outline any special investigations undertaken during the year and their outcome. OAG also issues a management letter to each County department highlighting the internal control and operational weaknesses identified during the audit and any recommendations thereof. The Supreme Auditing Institution, an independent government body, audit the administration's income and use and issues its own particular details regarding the execution of the financial plan and the quality of the PFM frameworks.

The public Audit Act (2012) and the recently amend public Audit Bill 2014 give the mandate to the Auditor General to undertake special audits at the national and County Governments as he deems necessary. These special audits may entail performance audit, certification audits, forensic audits, environmental audit, IT audits and managerial accountability audits etc.

The county assembly Public Accounts and Investment Committee are responsible for examining County's accounts. It also makes a follow-up on the reports issued by KENAO. A strong PAC properly constituted should be able to carry out its mandate on ensuring all government accounting records were properly maintained and that they reflect a true and fair state financial of affairs of the entity.

The constitution of Kenya (2010) envisioned public involvement in the entire PFM cycle. The process requires public participation in the budgetary process and public

engagement in validating audit and financial reports to the County Assembly and the PAC/PIC of the County assemblies. The Public Audit Act 2012 requires that once financial reports are approved by the County assembly, the Auditor General shall publish the document, post the document in the website; and publish the document in any medium meant for free public access.

Audit follow-up by MDAs and County Governments is the way to finishing the responsibility cycle and for reinforcing PFM frameworks. Bookkeeping officers of MDAs and at the two levels of government are in charge of the usage of review proposals. Review boards are additionally required to check the usage of funds. Nonetheless, following up review suggestions is yet to be completely successful (National Treasury, 2016).

2.2.13 Relationship between Audit Reforms and Performance of County Governments

Muhammad (2014) examined the relationship between accounting quality and adoption of IFRS and also the relationship between audit committee and accounting quantity. The outcome of the study stated that there is a relationship between the audit committee’s effects and the accounting quality under the IFRS. Cassel (2018) undertook a research study on the relation between audit committees and financial reporting quality. The investigation found a positive relation between audit committee co-option and misstatements as well as between audit committee co-option and absolute discretionary accruals. The study utilized random sampling technique to come up with the sample size. The study will utilize purposive sampling in selecting the respondents to the study.

Karanja (2011) investigated the factors that influencing the effectiveness of the internal audit in the public sector. The study found out that internal audit training and affects risk management greatly enhance the internal audit effectiveness. The study however noted the political influence may impact negatively on the effects of the internal audit function. The study focused on the factors that influence the effects of internal audit in public sector. The study dealth with PFM reforms with internal audit being one of the elements.

Dessalegn (2014) established that internal audit effects are strongly influenced by internal audit quality and support by management whereas the organizational setting and audit attributes have little impact on effects. The study was carried out in Ethiopia whereas the present study was undertaken in Kenya. The effects of audit reforms in the study was determined using the internal audit independence, capacity building of audit staff, establishment of audit committees, and preparation of quality audit reports.

2.2.14 Governance and Performance of County Governments

Despite the various definition of good governance determined by the cultural, social and economic values of the society, there are universally accepted elements of good governance that cut across cultural boundaries. In order to cure this gap, various institutions and governments have adopted various principles of the concept of good governance. The most enlisted principles are: transparency in decision-making, accountability, public participation and rule of law, responsiveness, coherence, efficiency and effectiveness (Sundaram & Chowdhury, 2012).

The UNDP 1997 Report on Governance and Sustainable Human Development identified eight characteristics of good governance: participation; rule of law; transparency; responsiveness; consensus oriented; equity; effects; efficiency;

accountability; and strategic vision. Participation in governance simply means that all actors of governance-public, civil society, individual and private-sector have to be involved in the decision making of the issues affecting them and implementation of the same. Good governance requires that the people, including the minorities, women and the marginalized have the opportunity to fully participate in the formulation of policies, decision-making, as well as their implementation. Participation ensures that the people's voice is heard and influences every aspect of decision making as well as implementation of governance decisions. Inclusiveness on the other hand emphasizes that everyone has a role to play in governance including people with disabilities, women, youth, and children among others. Participation can be direct or representative (Ayodele, 2016).

The CoK places the sovereign power to the Kenyan people, which can be exercised directly or indirectly through their democratically elected representatives at both the national level and County level. Participation as a national value and principle of governance in Kenya is very elaborate and has attracted litigation in various aspects. People have the right to participate at both levels of government as provided for under articles 118 and 196 of the CoK. Adoption of devolved governance is aimed at bringing governance closer to the people and ensuring that they participated in matters affecting them such as development (Muriu, 2012).

2.3 Theoretical Foundation

This section presents theories related to the variables of the study. The theories adopted include: the Agency Theory and New Public Management Theory.

2.3.1 Agency Theory

The theory was originally developed by Alchian and Demsetz in1972 and later advanced by Eisenhardt (1985) and Jensen and Meckling (1976). The Agency Theory

is an organizational management Theory that describes the various chain of relationships and areas of self-interest in organizations.

Agency Theory opines that the owners (shareholders) are the principals who hire the executive managers (agents) to run the organization on the behalf. Therefore, the managers must be well trained, technically competent, have sufficient time and capacity to manage the operations so as to achieve the predetermined organizational objectives.

According to Jensen and Meckling (1976), as a result of the agency relationships, conflicting of interest is meritable. Conflict of interest may arise whenever two parties have different interests and asymmetric information such that the principal cannot directly ensure that the agent is always acting in their (the principal's) best interest. Conflicts of interest arise under two circumstances: First, where the interest of the principal and the agent conflict and this dilemma exists in situations where the agents are motivated to act in their own best interests, as opposed to the interests of the principals; that is the interests of the principals are not aligned with the agents' interests. Secondly, where it is difficult or costly for the principal to verify what the agent is actually doing. Principal cannot verify whether the agent has behaved appropriately or not. This conflict of interest is about the problem of risk sharing; that arises when the principal and the agent have different attitudes towards risk. The principal and the agent may prefer certain different actions because of the difference in risk preferences. These actions may demand financial commitments to the principal, for instance payment of auditor fees and incurring other agency costs. Generally, agency dilemma arises due to the separation of ownership from control, different risk preferences, information asymmetry and moral hazards. The Agency Theory postulates that by delegating the management of organizations to the

managers (agents), the owners (managers) have to create a variety of incentive mechanisms to align the interests of the agent with those of the principal. For instance in employment, the employers (principal) may use executive compensation, composition of the board of directors, commissions, profit sharing, performance measurement outcome, the agent signing a bond, market for corporate control or the threat of termination of employment, to align worker interests with their own.

The only meaningful way to study the network of relationships in an organization (including County Governments) is through the use of an Agency Theory to illustrate how such relationships should be managed if organizations are to succeed. Agency Theory is applicable here in that the County Governments should be managed like corporate bodies where the national government (on behalf of the voters) allocates the resources to the governors (managers) to run the operations of their County Governments so as to provide services to the citizens. The County Governments like other organizations have systems, procedures, policies and the organizational structures and relationships which must be effectively managed so as to improve their performance. The Agency Theory holds that the governance and the citizens' participation can greatly influence the performance of selected County Governments in Kenya. The Theory emphasizes the considerations of the relationships between the County executive and its environment as well as what goes on within the County Governments. Agency Theory focuses mainly on supervision of management, more focus on compliance, effective fiduciary governance (custody of resources and their use) and conformity with the county executive stewardship functions. The fundamental concept in the Agency Theory is basically creating organizational structures, managing relationships and resolving conflicts of interest. However, there has been allegation of misuse of resources allocated to the County Governments.

These challenges have arisen because of the conflicts of interests among the county executives. Therefore, the researcher has considered this Agency Theory more relevant to the study the public financial management reforms discussed in the study will inform the necessary policy framework required for the solutions to the conflicts of interest among the county executives.

As adapted in this study, the Agency Theory holds that the relationship between the County governance and the citizens may affect the performance of selected County Governments in Kenya. Specifically, the composition and quality of the governance structures, their relationship with the external environment, their commitment to stewardship responsibilities, co-ordination of strategic planning, budget formulation and execution, fiscal reporting, audit and oversight role, the need to exercise effective and efficient fiduciary management, and the general compliance to the regulatory framework are the cornerstones for improving the performance of selected County Governments in Kenya. Therefore, these justify the rationale for the adaptation of the Agency Theory for the study. In the application of the Agency Theory to the study on the effects of public financial management reforms strategy on performance of County Governments, the variables would be identified as public financial management reforms strategy encompasses the effects of: PFM legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms, and audit reforms and the performance of the County Governments is the ability of the County to effectively mobilize revenue, formulate and execute budgets, adoption and implementation of IFMIS, timely submission of statutory reports and an effective audit and oversight role.

However, in adopting the Agency Theory of organizational management for the study, the researcher noted some issues that may limit its effects which includes

complexity of information required for effective monitoring and control by the principals, inadequate time and small size of the boards is a hindrance to effective and efficient monitoring and control, lack of co-operation and cohesiveness among the board members undermine their performance in monitoring and control function, if the top management wields a lot of power over the management of the operations of the entity hence this would limit the attainment of the strategic objectives of the organization and the inter-relationship among various parties as defined by the theory may be very difficult to recognize and understand by all people involved.

2.3.2 New Public Management (NPM) Theory

New Public Management (NPM) Theory was advanced by Christopher Hood (1991). The Theory presents a set of administrative policies which dominated the civil service reform agenda in many OECD, countries. New Public Management (NPM) Theory postulated seven principles to govern the NPM approach to organizational management. These include adoption of private sector-style of management practices which is business-like, development of a strategic plan with clear outline of the vision, strategic objectives and activities, formulation of a strong policy framework to guide the implementation of the strategy , development of a strong monitoring and control system to ensure effective implementation of the strategy, establishment of proper performance management system to facilitate effective measurement of performance results against the predetermined outcomes, a shift from a centralized system of governance to a decentralized structure of governance which will ensure increased flexibility and eliminate bureaucratic bottlenecks, and an emphasis on performance-based assessment of outsourced goods and services exercise greater fiscal discipline on the use of public resources to effects and efficiency in providing public service to the citizens.

The first New Public Management practices occurred in western countries such as United Kingdom, Australia and North America. New Public Management was accepted as the "gold standard for administrative reform in the 1990s (Hood, 1991). The Theory of NPM was especially applied in many policy management areas such as Citizens Charter Initiative, Competing for Quality, Accounting and Budgeting, and the Private Finance Initiative among others.

Based on the tenets of this Theory, to improve efficiency and effectiveness in public sector management there is need to initiate reforms in many perspectives including but not limited to public financial management system. Thus, County Governments like many other public sector institutions should embrace reforms so as to enhance their performance in delivering service to the citizens. There are many PFM reform initiatives for instance; adoption of information and communication of technology, implementation of new international public sector accounting standards, accounting and reporting reforms, audit and oversight roles among others. Because of these interactions, performance of County Governments can better be studied as part of the NPM approach.

NPM Theory postulates that the public sector must deliver value for money to the citizens. Therefore, there is need to reform the public service through the NPM reform tools. It is believed that PFM reform strategy will improve public service delivery. The fundamental concept in the NPM Theory is the notion of improving public service management to achieve better outcome.

As used in this study, the NPM Theory holds that public service management influences the performance of selected County Governments in Kenya. The PFM regulatory framework, strategic planning and budgeting, adoption of IFMIS,

accounting and reporting practices, audit and oversight role in County Governments influence revenue mobilization, statutory reporting, budget formulation and execution, monitoring and control. In the application of NPM Theory to this study on the relationship between PFMR strategy and the performance of selected County Governments in Kenya, the variables of the PFMR strategy was operationalized as legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms, and audit reforms and the performance of selected County Governments in Kenya was the ability of the County Governments to; enhance local revenue collection, generate timely and accurate financial and statutory reports, provide adequate and better service delivery to the citizens, ensure transparency and accountability in the use of public resources and subsequently achievement of sustainable development goals.

However, in adopting the New Public Management Theory for this study, the researcher was not ignorant of its criticisms: The relationship between policymaking and providing services in the New Public Management system has not been clearly discussed. There have been debates over the politicization of the public service, when executives are hired on contract under pay-for-performance systems. There are concerns that public managers may move away from trying to meet citizens' needs. NPM brings to question integrity and compliance when dealing with incentives for public managers. Questions such as managers being more or less faithful arise. The public interest is at risk and could undermine the trust in government. Accountability can be a big issue.

Finally, NPM Theory has failed to consider the information communication technology as a good component of an effective policy management system. Literary scholars cite the Digital Era and the importance of new technology that kills the

necessity of NPM. In the developing countries the NPM concept is still rising and diffusing.

2.4 Conceptual Framework

According to Mugenda and Mugenda (2003) conceptual framework is a scheme of concepts or variables which the researcher will operationalize in order to realize the set objectives. It is a diagrammatic presentation model where research variables and the relationship between the variables are translated into a visual picture to demonstrate the interconnections between the independent, dependent and other variables.

In the conceptual framework depicted in figure 2.1, public financial management reforms strategy is hypothesized to be correlated to the performance of selected County Governments in Kenya. Performance is operationally defined by number of completed projects, budget implementation, timeliness of statutory reports, quality of service delivery and revenue mobilization. The framework postulates that the legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms directly affect the performance of selected County Governments in Kenya. However, this relationship may be intervened by leadership style and political goodwill.

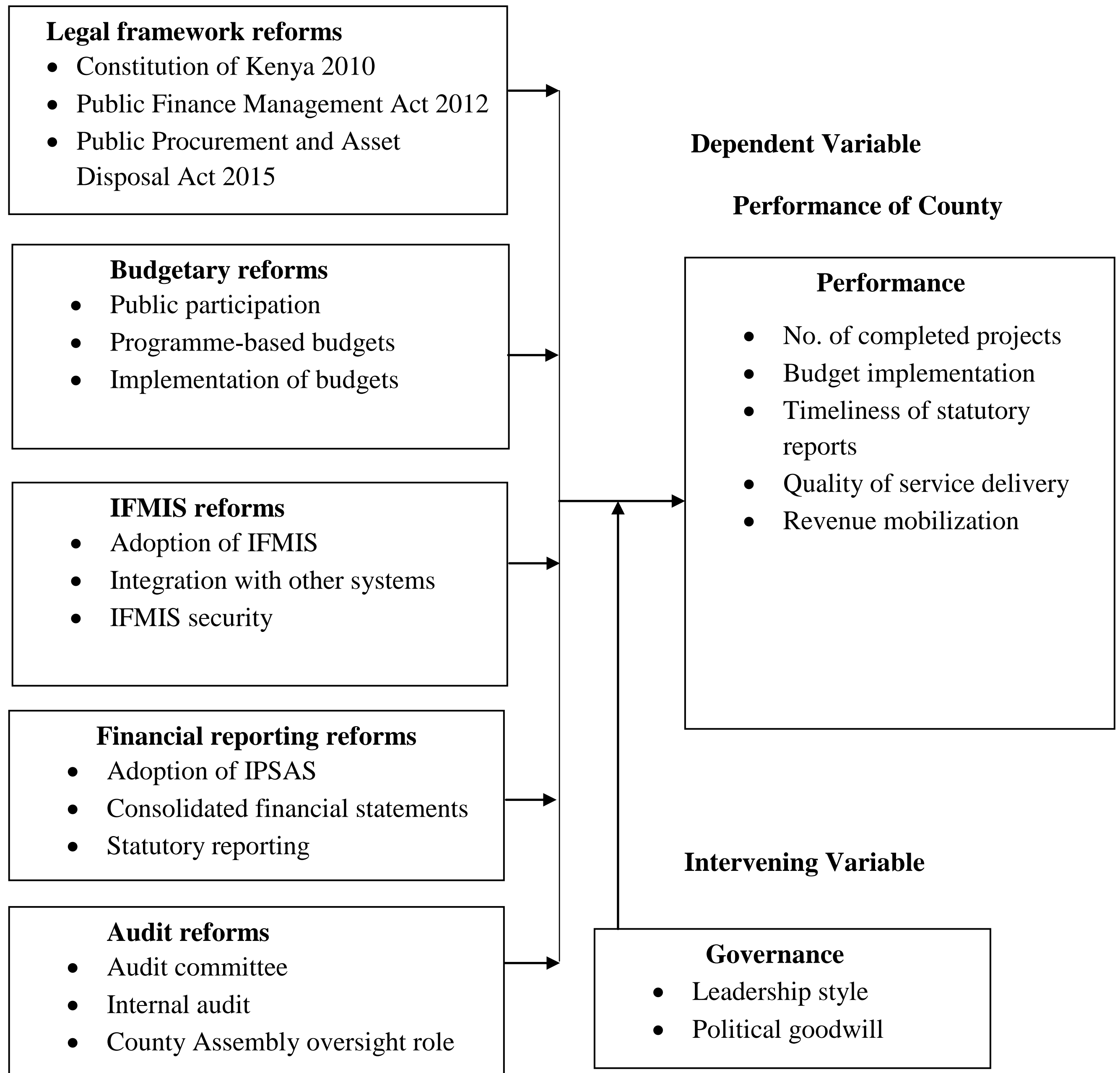


Figure 2.1: Conceptual framework for the study

Source: Researcher (2019)

2.5 Summary of Literature Review and Identification of Knowledge Gap

It is clear from the literature reviewed that public financial management reforms play a significant role in the achievement of sustainable development goals. There have

been several related literature studies and discussions that have been done on this topical issue. However, as presented in the literature review, it is evident that various studies have found mixed results. This has been attributed to differences in methodological approaches such as contextual background, research designs, target population, sampling techniques, geographical and time scope, data collection instruments, types of data used, data analysis techniques and the thematic areas of focus. Although extensive research has been carried out on public financial management reforms, few studies exists which attempts to explore the association between PFM reforms and the performance of the public sector in Kenya. It is against this background of divergence and inconsistencies that the present study sought to bridge the knowledge gap by investigating the relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used to address the objectives of the study. It covers the research design, target population, sample design, data collection the reliability and validity of research instruments, the data collection instruments and analysis procedures to be followed and relevant research ethics.

3.2 Research Design

The study utilized positivist philosophical approach to guide the study. The approach was considered appropriate for the study because the study was highly structured; the sample size was large and used quantitative measurement in data analysis. Positivists believe that reality is stable and can be observed and described from an objective viewpoint, without interfering with the phenomena being studied (Levin, 1988). They contend that phenomena should be isolated and that observations should be repeatable. This often involves manipulation of reality with variations in only a single independent variable so as to identify regularities in, and to form associations between some of the constituent elements of the social world. Research requires working within a framework of a set of philosophies, use of methods that have been tested for validity and reliability, and attempted to be unbiased and objective (Kumar & Ranjit, 2014). This approach is systematic or scientific research and it is based on three basic principles: it asserts that the social world exists externally and therefore it must be viewed objectively, research is an independent activity that requires an objective analysis and that research is value free.

The study adopted correlation research design to establish the relationship between public financial management reforms strategy and performance of selected County Governments. The design was chosen because it allows the researcher to collect data, testing of expected relationships between variables and the make inferences of the same. It provides rigorous and replicable procedure for understanding relationships among the independent and dependent variables. Further, it indicates whether and to what degree a relationship exists between the PFMR and the performance of selected County Governments in Kenya.

3.3 Location of the study

The study was carried out in four selected County Governments in Kenya, namely: Bomet, Kericho, Nakuru, and Narok. The County Governments were selected because of the challenges facing them as highlighted in the County Governments Budget Implementation Review Report (2017/2018). Specifically, the Controller of Budgets published the County Governments Budget Implementation Review Report (Office of the Controller of Budget, 2018), which documented the various challenges that affected budget implementation in the County Governments during the reporting period. These were; inadequate legislations to operationalize the established county public funds, IFMIS interconnectivity challenges, under-performance in own source revenue collection, low uptake of development funds, high wage bill, inadequate statutory reporting, colossal amount of pending bills, weak budgetary control by the county treasuries and delays in disbursements of equitable share of national revenue among many County Governments. Furthermore, the selected counties are members of the same economic block.

3.4 Target Population

Target population refers to the elements, items or individuals who have similar identity (Mugenda & Mugenda, 2003). The target population of the study consisted of all the 184 treasury staff of all the four County Governments in Kenya which were selected using stratified sampling technique. Specifically, the study targeted top-level employees including chief executive committee members of finance and economic planning and chief officers as well as middle-level employees who included directors, heads of departments and technical officers. The target population has been chosen because they have the knowledge, experience and the technical know-how in relation to the variables under investigation.

Table 3.1
Target population

County	**Target population**	**Percentage**
Bomet	44	23.9
Nakuru	50	27.2
Narok	42	22.8
Kericho	48	26.1
Total	**184**	**100**

Source: County Human Resource Department (2019)

3.5 Sample and Sampling Procedures

3.5.1 Sample size

The sample size of the study consisted of 184 respondents from the four County Governments of Nakuru, Bomet, Narok and Kericho. The sample consisted of chief executive committee members of finance and economic planning, chief officers, directors, heads of departments and technical officers selected from the target

population using purposive sampling technique. Sampling was considered appropriate because the population was small and accessible to the researcher. This also helped to take care of possibility of non-response cases. The 184 research participants were distributed as shown in the Table 3.1. This number was chosen according to the County Human Resource department staff records (2019)

Table 3.2
Sample Size

Category	**Bomet**	**Kericho**	**Nakuru**	**Narok**	**Total**
Top-level employees	4	4	4	4	16
Middle-level employees	40	46	38	44	168
Total	**44**	**50**	**42**	**48**	**184**

Source: County Human Resource Department Staff Records (2019)

3.5.2 Sampling Procedures

The study employed purposive sampling technique in selecting the respondents to the study. The technique was the most preferred because the researcher targets a group of people believed to be reliable and have sufficient knowledge of public financial management reforms hence can effectively inform the study.

3.6 Data Collection Instruments

In the study, questionnaire was the main instrument for collecting primary data (see Appendix I). The instrument was deemed appropriate in this research because in-depth information was collected within the shortest time possible (Mugenda & Mugenda, 2003). This method was considered appropriate especially when the population literate and time was limited. The questionnaire was structured and it was

developed by the researcher. The items in the questionnaire were derived from the research variables as indicated in the conceptual framework. The questions were in form of 5-Likert scale (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree). The instrument contained two sections. Section A captured respondent's background information while section B contained questions related to the objectives of the study in a chronological manner. The questionnaire was self-administered and was issued by the researcher personally to the respondents using drop and pick method. The respondents were given two weeks to respond to the questionnaire.

3.7 Validity of the Research Instrument

3.7.1 Content validity

The study employed content validity in determining the validity of the questionnaire. The technique involves evaluation of a new instrument in order to ensure that it includes all the items that are essential and eliminates undesirable items in the questionnaire. Specifically, the study used literature reviews and then follow-ups with the evaluation by panel of expert (Straub & Boudreau, 2004). The researcher consulted supervisors in the field of public finance, financial accounting and ICT during the development of the instrument to ensure that relevance and accuracy were observed. The experts were chosen based on their area of specialization. The experts were able to review the items and comment on whether the items cover a representative sample of the behavior domain. The comments from the experts in research field were used in the final revision of the instruments before data collection commence (Mutai, 2003).

3.7.2 Construct validity

The study also used Construct validity to measure the extent to which data collection instrument measured what expected to measure. In this case, the researcher used the

concepts and indicators presented in the conceptual framework to ensure all the items in the instrument captured the intended variables under investigation (James Dean Brown, 2000). Construct validity is the relevance of made on the basis of observations or test scores, specifically whether a test measures the proposed construct (Messick, 1989)

3.7.3 Criterion validity

The study also utilized criterion-related validity which typically focused on the correlation of the test being validated with some established outside measure(s) of the same objectives or specifications of the study. This was done to ensure the findings accurately reflected the data collected (Smith & Noble, 2014).

The relationship between public financial management reforms and performance measures were quantified by a correlation coefficient (ranging from 0 to +1.0), which were used to demonstrate how strongly correlated two variables are depending on how close the number is to 0 or +1.0. The more correlated the two variables were the more predictive validity the test had. In the public financial management reforms, the more correlated test scores were with performance of County, the more likely the test was to predict future performance of County.

3.8.1 Reliability of the Research Instrument

Reliability is concerned with the extent to which a research instrument yields the same results or data on repeated trials (Mugenda & Mugenda, 2003). Reliability of instruments concerns the degree to which a particular instrument gives similar results over a number of repeated trials (Mugenda and Mugenda, 2003). Reliability of the instrument was used to estimate the degree to which a measurement is free of errors. The pilot study was undertaken in Nandi County using a sample of 36 respondents

from relevant departments. The researcher pre-tested the questionnaire to the pilot sample. The instrument was administered once to avoid familiarity with the items. These respondents did not participate in the main study. Pre-testing was conducted to check the structure of the questionnaires in terms of the sequence, meaning and ambiguity of questions. It was done in order to ensure the reliability of the research instrument before actual study. After the piloting of the instrument, any errors that were identified were corrected, any ambiguous questions were reframed and the content revised accordingly. The Cronbach's Alpha Coefficient was computed as follows:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where:

α -Cronbach's Alpha coefficient

N -is equal to the number of items

C-bar is the average inter-item covariance among the items

V-bar equals the average variance.

According to Mugenda and Mugenda (2003) the instruments are reliable if the reliability coefficient is above 0.7. In the study, the reliability was interpreted using the threshold in Table 3.2.

Table 3.3
Cronbach's Alpha Coefficients

Cronbach's alpha (Threshold)	Remark
$0.9 \leq \alpha$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

3.8.2 Results of the pilot study

In order to establish the validity and reliability of the proposed questionnaire, the researcher carried out a pilot study on 36 respondents drawn from Nandi County which was 19.5% of the sample size and in addition reliability test was conducted. A pilot study permited the reasearcher to detect any potential problems that could affect the quality and validity of the outcomes. It involved trying out the research instrument to disclose any changes that are essential to make the study effective and efficient (Lucienne & Amaresh, 2009). Zikmund *et al.* (2013) pointed out that reliability is the ability of the questionnaire to deliver consistent scores. Scale reliability coefficient was measured using Cronbach's Alpha rating which classified scores into excellent, good, acceptable and unacceptable. The Cronbach's Alpha ratings shown below are congruent with Corbin, Strauss and Strauss (2014).

Table 3.4
Pilot testing and rating of Cronbach's Alpha scores

Variable	Respondents	Cronbach's Alpha	Interpretation
Legal framework reforms	36	0.799	Acceptable
Budgetary reforms	36	0.909	Excellent
IFMIS Reforms	36	0.897	Good
Financial reporting reforms	36	0.886	Good
Audit Reforms	36	0.844	Good
Performance of county	36	0.921	Excellent

Note: *significance level at 95% (2-tailed), N=36.*

Source: Researcher (2019)

Corbin *et al.* (2014) indicate that Cronbach's value of 0.7 and above and which include excellent, good and acceptable scores are indicators of good data collection instrument. The instrument was therefore confirmed to be reliable enough to collect the desired data. The instrument was however shortened to reduce the chance of fatigue by the respondents, without losing on key data collected per variable.

3.9 Data Collection Procedures

Prior to actual data collection the researcher obtained an introductory letter from the University of Kabianga explaining the need to carry out a study and formally request the relevant authorities to allow the researcher to conduct the approved research study. The researcher sought permission to carry out the study from the National Council for Science, Technology and Innovation (NACOSTI) and the permit was issued on 6th May 2019 and data collection began immediately where the researcher informed the selected counties through the county secretaries about the research and specifically data collection. Their authorization letters were obtained by the researcher

before administering the research instrument. The researcher together with the research assistant distributed the questionnaires to the targeted respondents and requested them to respond within a period of two weeks after which the researcher collected the completed questionnaires. Furthermore, the researcher issued the phone number to the respondents in order to facilitate clarification on unclear issues.

3.10 Diagnostic Tests

3.10.1 Komogorov-Smirnov and Shapiro-Wilk tests

Normality tests were performed to determine whether the sample data has been drawn from a normally distributed population. Two statistics were carried out to test for normality namely ***Komogorov-Smirnov*** **and** ***Shapiro-Wilk*** **tests** and the results were as shown in Table 3.4.

Table 3.5
Tests of Normality

	Public financial management reforms strategy	**Kolmogorov-Smirnov**			**Shapiro-Wilk**		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of County	Strongly agree	.447	32	.000	.603	32	.002
	Agree	.406	30	.000	.612	30	.001
	Neutral	.530	22	.000	.332	22	.003
	strongly disagree	.537	44	.000	.137	44	.004

a. Lilliefors Significance Correction

b. There are no valid cases for performance of selected County Governments when the public financial management reforms strategy=.000. Statistics cannot be computed for this level.

Kolmogorov-Smirnov D test is a normality test which was considered suitable for large samples. It was applied in the study to test if the observed data fit a normal distribution. If the outcome was statistically significant, then the null hypotheses of the relationship between public financial management reforms strategy and the

performance of County Governments were rejected. ***Shapiro-Wilks W test*** is considered by some authors to be the best test of normality and it is suitable for small data sets up to n = 2000.

Kolmogov-Smirvov and Shapiro-Wilk tests of normality revealed that the data are not normally distributed since the p-values are 0.000 which are below 0.05 for all the variables and that all the null hypotheses were rejected and the alternate hypotheses were accepted. The study resolved that the legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms, audit reforms and performance of selected County Governments had normal distribution and hence subsequent analysis could be undertaken.

3.10.2 Test of Homogeneity of Variance

Homogeneity of variance tests was carried out on the sample to determine whether the variance of the data was the same throughout the data set. This is known as homogeneity of variance and the opposite condition is referred to as heteroskedasticity. This was done using ***Levene's test*** and the results of the test were as shown in Table 3.5.

Table 3.6

Test of Homogeneity of Variance

		***Levene's* Statistic**	df1	df2	Sig.
Performance in the County	Based on Mean	96.700	3	124	.001
	Based on Median	9.003	3	124	.002
	Based on Median and with adjusted df	9.003	3	61.946	.002
	Based on trimmed mean	75.842	3	124	.004

There are no valid cases for performance of selected County Governments. when the public financial management reforms strategy=.000. Statistics cannot be computed for this level.

The results as indicated by the *Levene's Test* were highly significant (the value under "Sig." is less than 0.05), the two variances are significantly different, and this provides a strong warning against using a parametric test. In conclusion, since parametric tests are fairly strong to violations of homoscedasticity, it is mostly recommended to use parametric tests unless the above tests for normality and homogeneity show strong departures.

3.10.3 Histogram

Histogram was prepared to show the frequency distribution in which the observed values are plotted against their frequency. It depicts a visual estimation whether the distribution is bell shaped or not. At the same, time it offers a signal about the insight gap in the data and outliers. Further, it provides an idea about the skewness or symmetry of the distribution.

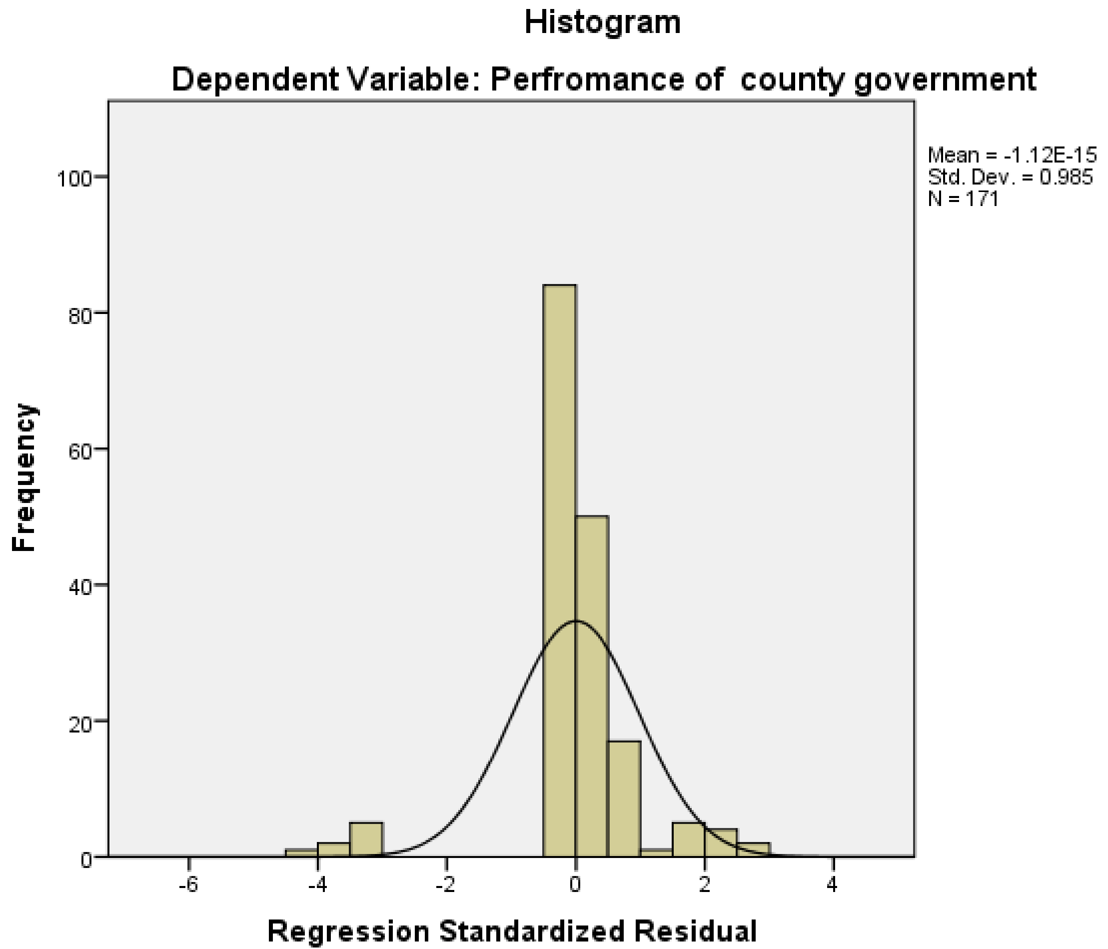


Figure 3.2: Histogram of regression standardized residuals of performance

Normal distribution or normally distributed is data that can be represented by a bell-shaped curve. However, in the above figure, the distribution of the data is skewed to the left.

3.10.4 Normal P-P Plot

A normal P-P plot was drawn to evaluate how closely two data sets agree and the results was as illustrated in figure 3.3:

Normal P-P Plot of performance of county governments

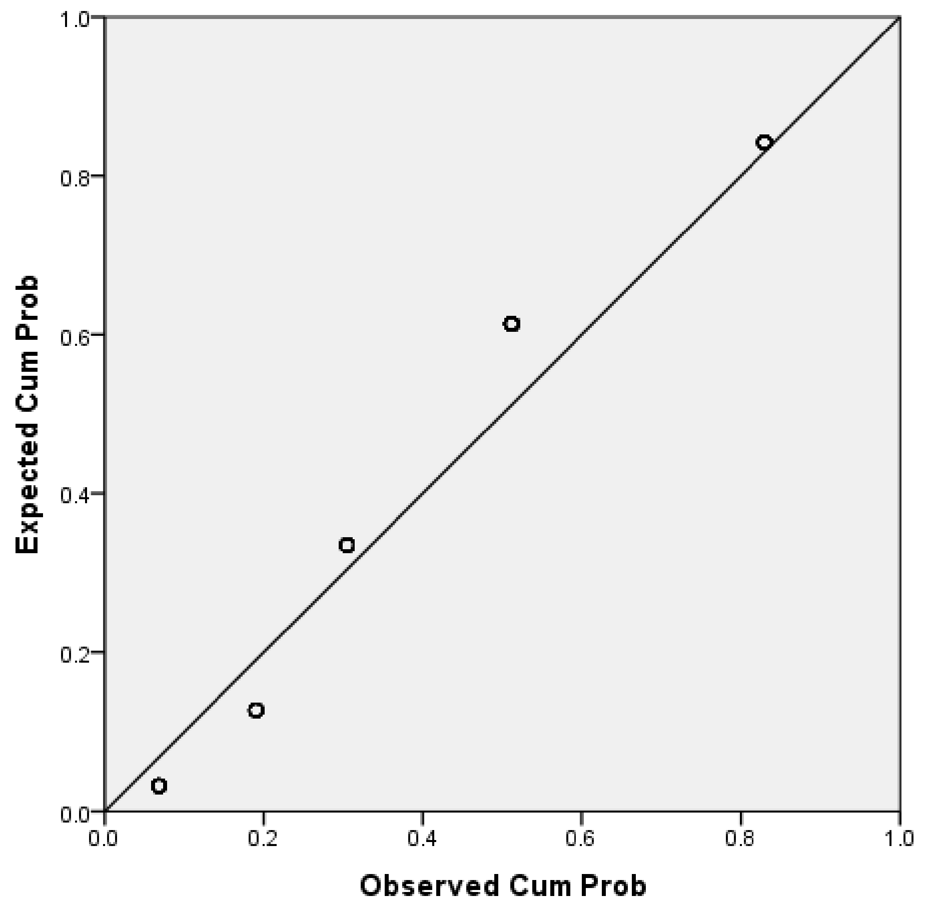


Figure 3.3: Normal P-P Plot of Regression Standardized Residuals of performance

A P-P plot shows the comparison between cumulative distribution function of a data set with a definite theoretical cumulative distribution function. If it seems like a straight line or there is no curve then it contains no outliers and the assumption is thought to be satisfied and if it shows another outlook than straight line (e. g. curve), the assumption is inferred to have failed.

3.11 Test for Multicollinearity

Multicollinearity tests were carried out to ascertain the level of correlation between the independent variables. Multicollinearity is a statistical phenomenon in which two

or more independent variables in a multiple regression model are extremely interrelated. This unwanted situation arises if the correlations among the independent variables are so robust. A set of variables is seamlessly multicollinear if there exists one or more exact linear relationship among some of the independent variables under study. Tolerance of the variable and the Variance Inflation Factor (VIF) values were used where values more than 0.2 for Tolerance and values less than 10 for VIF means that there is no multicollinearity.

Table 3.6 shows the findings:

Table 3.7
Test for Multicollinearity

Model	**Collinearity Statistics**	
	Tolerance	**VIF**
The legal framework reforms	.184	5.439
The budgetary reforms	.552	1.810
The IFMIS reforms	.262	3.823
The financial reporting reforms	.241	4.152
The audit reforms	.195	5.132
Dependent Variable: Performance		

As indicated by the lead researchers, a tolerance value of below 0.1 or a Variable Inflation Factor (VIF) of greater than 10 is considered to indicate a serious problem of Multicollinearity. As the tolerance values approach zero, it indicates that the variable is highly collinear with the other predictor variables. Table 4.10 shows that the tolerance values for all variables are above 0.1 and VIF values are above 1 and below 10. This showed that the data did not have a problem of Multicollinearity.

3.12 Data Analysis and Presentation

Data analysis was carried out to enable the researcher to link the theory with reality by testing the research hypotheses and finding answers to the study. The study was expected to generate qualitative data with regards to demographic characteristics of the population such as distribution of the respondents by age, education and experience. This was analyzed using descriptive data analysis techniques such as frequency distribution tables, mean, and mode based on each of the research objectives. The study was also expected to generate quantitative data since the study used numeric measures to evaluate the aspects under investigation. In quantitative analysis, data was statistically analyzed so that the meaning was inferred. Before analyzing the data from the respondents, the questionnaires were checked if they were fully and accurately filled. The data was then checked for errors and omissions and then coded. Quantitative data was analyzed using inferential statistics such as correlation analysis, regression analysis and ANOVA test analysis. All data were analyzed at a level of significance of 95% or $\alpha=0.05$ and the degrees of freedom depending on the particular case were determined. This value ($\alpha=0.05$) was chosen because the sample size was adopted from the figures calculated on the basis of 0.95 level of confidence. This was done with the aid of Statistical Package for Social Sciences (SPSS) version 23.0.

Since the study focused on the relationship between public financial management reforms strategy and performance of selected County Governments., a multiple linear regression model was appropriate for the study. It was used to identify the strength of the relationship between the independent variables and the dependent variable. That is, multiple linear regression analysis model helped us to understand how much the

dependent variable changed when the independent variables changed. The model was as follows:

$$Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\varepsilon$$

3.13 Ethical Considerations

Before conducting research, the researcher sought a clearance certificate from the University of Kabianga and clearance permit from the National Council for Science and Technology and Innovation (NACOSTI).

The major ethical problem in the study was the privacy and confidentiality of the respondents. However, the respondents were assured of the freedom and voluntary response to ignore specific research questions that they do not wish to respond to. Furthermore, the information provided by the respondents was treated with utmost confidentiality and they were not required to mention their name anywhere in the questionnaire.

Finally, the borrowed ideas were well cited and acknowledged and the originality of the research was safeguarded by scanning the entire thesis for plagiarism check using Turnitin software where the researcher assured the minimum threshold is achieved.

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the results of the research that was conducted to test both the conceptual model and research hypotheses. First, it presents the response rate and describes the general background information of the respondents and descriptive analysis of the study variables. Secondly, the chapter describes the results of statistical analysis to test the hypotheses and finally, it presents the discussions of the results.

4.2 Questionnaire Response Rate

Orodho (2003) posits that response rate is the extent to which the final data sets include all the sampled members and is calculated as the number of respondents with whom interviews are completed and divided by the total number of respondents of the entire sample including none respondents. The study sample consisted of 8 Chief Executive Committee Members, 8 Chief Officers, 20 Directors, 28 Accountants, 32 Procurement officers, 28 Revenue Officers, 16 Budget officers, 20 ICT Officers and 24 Auditors from the four Selected County Governments in Kenya.

Table 4.1
Questionnaire Response Rate

Sample size	Respondents reached	Percentage
184	**171**	**92.9%**

Source: Field data (2019)

The researcher distributed 184 questionnaires and 171 were returned providing a response rate of 92.9 % and 13 questionnaires were not returned giving a non-

response rate of 7.1 %. This was due to the fact that the approach used to distribute the questionnaires was the drop-and-pick method where the researcher issued the questionnaires and waited for the respondents to complete filling it and then went back with the duly filled questionnaires. Kothari (2004) presupposes that a response rate of 50% is seen to be average, 60-70% is seen as being adequate while anything above 70% is considered to be an excellent response rate. This response rate was therefore considered an excellent representative of the respondents to provide information for analysis and generate valid conclusions.

4.3 Descriptive statistics on respondents' demographic information

4.3.1 Gender of the respondents

The respondents were asked to indicate their gender and the results were as distributed in Table 4.2.

Table 4.2
Gender of the Respondents

Gender	Frequency	Percent	Valid Percent
Male	91	53.2	53.2
Female	80	46.8	46.8
Total	**171**	**100.0**	**100.0**

Source: Researcher (2019)

The research results demonstrated that of the study sample, 171 subjects completed and returned the questionnaires. Further, it shows that 53.2 percent (91 respondents) of the officials working in the Selected County Governments in Kenya were male compared to 46.8 percent (80 respondents) who were female. The findings imply that gender sensitivity has been achieved in the in line with two-third gender rule as enshrined in the Constitution of Kenya (2010).

4.3.2 Age of the respondents

Age was considered important in the research and the results showing the age distribution was as indicated in Table 4.3.

Table 4.3
Age of the Respondents

Age bracket	Frequency	Percent	Valid Percent
21-30 years	21	12.3	12.3
31-40 years	40	23.4	23.4
41-50 years	99	57.9	57.9
50 years and above	11	6.4	6.4
Total	**171**	**100.0**	**100.0**

Source: Researcher (2019)

The results indicated that majority (57.9) percent of the respondents are between 41-50 years and it implies that this category of respondents can make informed decisions on their levels of agreement concerning the research questions.

4.3.3 Educational level

The respondents were asked to indicate their various educational levels as it was considered to influence the information provided by the respondents and the findings were as presented in Table 4.4.

Table 4.4
Level of Education

Education level	Frequency	Percent	Valid Percent
Diploma	13	7.6	7.6
Bachelor's degree	45	26.3	26.3
Master's degree	94	55.0	55.0
Doctorate	19	11.1	11.1
Total	**171**	**100.0**	**100.0**

Source: Researcher (2019)

The results from the study showed that 55.0 percent was either pursuing or they had already completed their master's degree studies in various programmes at both public and private universities. The outcome show that 26.3 percent of the respondents had their first bachelor's degrees as the highest academic qualification, 11.1 percent Doctor of philosophy degrees and 7.6 percent diploma as indicated in Table 4.4 below. These findings are in line with Okongo (2015) who posits that the level of education dictates the mastery of technical know-how in delivery of the mandates in a specific line.

4.3.4 Respondent's department

As indicated in Table 4.5, the respondents were distributed in various departments.

Table 4.5
Respondents Department

Department	Frequency:	Percent	Valid Percent
Accounting and Finance	62	36.3	36.3
Procurement	51	29.8	29.8
Audit	37	21.6	21.6
ICT	21	12.3	12.3
Total	**171**	**100.0**	**100.0**

Source: Researcher (2019)

The outcome of the study illustrated that 36.3 percent of the respondents worked under finance and accounting department, 29.8 percent procurement department, 21.6 percent audit department, and 12.3 percent in the ICT department. The findings imply that majority of the respondents work under finance department and this is attributed to the fact that public financial management reforms are ideally implemented in the county treasuries. This is in line with the Office of the Auditor General report (2016) concerning public financial management in counties.

4.3.5 Respondent's experience level

The respondents were asked to indicate the number of years they have worked in the County and the findings were as shown in Table 4.6.

Table 4.6

Respondent Experience Level

	Frequency	Percent	Valid Percent
1-5 years	68	39.8	39.8
6-10 years	62	36.3	36.3
11-15 years	22	12.9	12.9
16-20 years	10	5.8	5.8
21 years and above	9	5.3	5.3
Total	**171**	**100.0**	**100.0**

Source: Researcher (2019)

The results indicated that 39.8 percent of the respondents had worked for 1-5 years, 36.3 percent 6-10 years, 12.9 percent 11-15 years, 5.8 percent 16-20 years and 5.3 percent over 21 years. The majority of the respondents as depicted in the findings had worked since the inception of devolution and establishment of County Governments. However, a significant number of respondents worked under previous local governments. Some of the respondents were seconded from the national government.

4.4 Descriptive statistics

Descriptive statistics was carried out in all the five objectives of the study and followed by discussions of the findings. Descriptive statistics were deemed necessary in the study because it enabled to present the data in a more meaningful way, which allowed simpler interpretation of the data.

4.4.1 Relationship between Legal Framework Reforms and Performance of County Governments

The respondents were also asked to indicate the level of their agreement with various indicators of legal framework reforms as indicated in Table 4.7. The findings showed that only a small number of respondents (38.6 percent) strongly agreed that the laws governing public financial management in the County are anchored in the constitution

with a mean of 3.6433 and a standard deviation of 1.42919. Majority of the respondents (36.5 percent) strongly agreed that there is compliance to public financial management regulations in the County with a mean of 3.0877 and a standard deviation of 1.49053. On the implementation of Public Procurement and Asset Disposal Act 2015 in the County, majority (40.4 percent) of the respondents disagreed with a mean of 2.5848 and a standard deviation of 1.34497.

The findings indicated that some participants (36.8 percent) expressed the belief that there is public participation on budgetary process in the county with a mean 3.6140 and a standard deviation of 1.42360. The results also indicated that 34.8 percent of the respondents strongly agreed that the constitutional laws governing public financial management affect the performance of County Governments with a mean of 3.5906 and a standard deviation of 1.43761. Slightly above one-third (33.3 percent) of the participants said that compliance with public financial management regulations affects the performance of County Governments with a mean of 3.5906 and a standard deviation of 1.39610. It was also revealed by the findings that 33.9 percent of the respondents strongly agreed that implementation of Public Procurement and Asset Disposal Act (2015) affects the performance of selected County Governments in Kenya representing a mean of 3.6784 and a standard deviation of 1.35323. The findings further indicated that 41.5 percent of the respondents strongly agreed that public participation in the budgeting process in the County affects the performance with a mean of 3.9123 and a standard deviation of 1.25014. Finally, the findings showed that 38.0 percent of the respondents strongly agreed that the legal framework reform is associated with the performance of County Governments with mean of 3.7544 and a standard deviation of 1.38412.

Table 4.7

Descriptive Statistics on Legal Framework Reforms and Performance

Statement	Percentages 5	4	3	2	1	Mean	Std. Deviation
The laws governing public financial management in the County are anchored in the constitution	38.6	25.1	11.7	11.1	13.5	3.6433	1.42919
There is compliance to public financial management regulations in the County	36.5	26.9	12.0	11.1	13.5	3.0877	1.49053
There is implementation of Public Procurement and Asset Disposal Act 2015 in the County	15.8	9.4	13.5	40.4	21.1	2.5848	1.34497
There is public participation on budgeting process in the County	36.8	26.3	11.7	11.7	13.5	3.6140	1.42360
The constitutional laws governing public financial management affect the performance of County	34.8	27.1	12.3	11.7	14.0	3.5906	1.43761
Implementation of Public Procurement and Asset Disposal Act 2015 affects the performance of County	33.9	35.1	7.0	12.9	11.1	3.6784	1.35323
Public participation in the budgeting process in the County affects the performance	41.5	33.3	7.0	11.1	7.0	3.9123	1.25014
The legal framework reforms have a significant relationship with the performance of County	38.0	33.9	7.0	7.6	13.5	3.7544	1.38412

Source: Researcher (2019)

4.4.2 Relationship between Budgetary Reforms and Performance of County Governments

The respondents were asked to indicate the level of their agreements with the various indicators of budgetary reforms and the results were presented in descriptive statistics as shown in Table 4.8. The findings indicated that 34.5 percent of the respondents strongly agree there is alignment of budgets with County Integrated Development Plans (CIDP) in the County with a mean of 3.5205 and a standard deviation of 1.43625. It was revealed that 33.3 percent of the respondent strongly agreed that County formulates realistic/credible budgets with a mean of 3.4561 and standard

deviation 1.49985. The results indicate that there is harmony between county executive and county assembly in budget preparation and approval as 36.8 percent of the respondents strongly agreed with a mean of 3.6667 and standard deviation 1.41421. However, the findings revealed that there is delay in disbursement of funds from the National Treasury as agreed by 38.0 percent of the respondents with a mean of 3.5965 and standard deviation 1.37018.

The results of the study show that the County makes budget reviews of the previous financial year allocations as strongly agreed by 38.1 percent of the respondents with a mean of 38.1 and standard deviation of 3.5439. The findings of the study further indicated the alignment of budgets with County Integrated Development Plans (CIDP) has affected the performance of County Governments with 36.3 percent of the respondents agreeing representing a mean of 3.5322 and standard deviation of 1.35597. The findings of the study were in agreement that formulation of realistic/credible budgets affects the performance of County Governments as strongly agreed by 35.7 percent of respondents representing a mean 3.5497 and a standard deviation 1.43965.

The harmony between county executive and county assembly was shown to affect the budget implementation in the county as 32.7 percent of the respondents strongly agreed with a mean of 3.4561 and a standard deviation of 3.4561. The delay in disbursement of funds from the National Treasury affected budget implementation in the County as agreed by 35.1% of the respondents representing a mean of 3.5731 and standard deviation of 1.40134.

The findings of the study also found out that 35.0 percent of the respondents agree that budget reviews of the previous financial year allocations affected the performance of County Governments with a mean of 3.5789 and a standard deviation of 1.37559. The respondents were further asked to indicate the overall effect of

budgetary reforms on performance of County Governments and 29.8 percent strongly agreed that the budgetary reforms affect the performance of County Governments representing a mean 3.5088 and a standard deviation of 1.37357.

Table 4.8

Descriptive Statistics on Budgetary Reforms and Performance

Statement	Percentages					Mean	Std. Deviation
	5	4	3	2	1		
There is alignment of budgets with County Integrated Development Plans (CIDP) in the County	34.5	28.1	8.7	15.0	13.7	3.5205	1.43625
County formulates realistic/credible budgets	33.9	27.0	11.7	9.1	18.1	3.4561	1.49985
There is harmony between county executive and county assembly in budget preparation and approval	36.8	34.0	7.6	11.0	10.6	3.6667	1.41421
There is delay in disbursement of funds from the national treasury	29.8	38.0	7.6	12.1	12.5	3.5965	1.37018
The County makes budget reviews of the previous financial year allocations	28.7	38.1	8.7	9.1	15.5	3.5439	1.36429
Alignment of budgets with County Integrated Development Plans (CIDP) has affected the performance of County	27.5	36.3	11.7	11.1	13.5	3.5322	1.35597
Formulation of realistic/credible budgets affects the performance of County Governments	35.7	24.0	12.9	14.0	13.5	3.5497	1.43965
The harmony between county executive and county assembly has affected the budget implementation in the county	32.7	31.0	10.5	12.8	13.0	3.4561	1.33817
The delay in disbursement of funds from the National Treasury affects budget implementation in the County	30.4	35.1	9.9	11.1	13.5	3.5731	1.40134
Budget reviews of the previous financial year allocations have affected the performance of County Governments	30.0	35.0	10.4	11.0	13.6	3.5789	1.37559
The budgetary reforms have a positive relationship with the performance of County	29.8	29.2	16.4	11.0	13.6	3.5088	1.37357

Source: Researcher (2019)

4.4.3 Relationship between IFMIS reforms and Performance of County Governments

The respondents were asked to indicate the level of their agreements concerning the various indicators of IFMIS reforms and the results were as presented in Table 4.9.

There is adoption of IFMIS in County public financial management operations with 36.3 percent of respondents strongly agreeing with a mean a 3.6322 and standard deviation of 1.35597. However, the findings of the study disapproved that the County trains its staff on IFMIS use as disagreed by 30.9 percent of the respondents with mean 3.5561 and standard deviation of 1.49985. There is integration of IFMIS with other public financial management systems in the County operations as agreed by 34.0 percent of the respondents with a mean of 3.7867 and a standard deviation of 1.41421.

The findings of the study showed that 38.0 percent of the respondents agreed that there is sufficient backup of IFMIS for security of data in the County with a mean of 3.6865 and a standard deviation of 1.37018.

The results of the study indicate 38.1 percent of the respondents agreed that adoption of IFMIS in County public financial management operations has affected the performance of County Governments with a mean of 3.7539 and a standard deviation of 1.36429.

The training of county staff on IFMIS use in the County has affected the performance in the County as agreed by the 36.3 percent of the respondents with a mean 3.6322 and a standard deviation of 1.35597. The performance of County Governments has been affected by the integration of IFMIS with other PFM systems in County operations as indicated by 31.7 percent of the respondent of the respondents with a mean of 3.5497 and a standard deviation of 1.43965.

Sufficient backup of IFMIS affects the security of data in the County as indicated by 33.0 percent of the respondents with a mean of 3.6061 and a standard deviation of 1.33817.

The findings of the study revealed that IFMIS reforms affected the performance of County Governments as indicated by 38.1 percent of the respondents with a mean of 3.7931 and a standard deviation of 1.40134.

Table 4.9

Descriptive Statistics on IFMIS Reforms and Performance

Statement	**Percentages**					**Mean**	**Std. Deviation**
	5	**4**	**3**	**2**	**1**		
There is adoption of IFMIS in County public financial management operations	31.5	31.1	8.7	18.0	10.7	3.7205	1.43625
The County trains its staff on IFMIS use	18.1	9.1	11.7	30.9	30.0	3.5561	1.49985
There is integration of IFMIS with other public financial management systems in the County operations.	32.8	34.0	7.6	11.0	10.6	3.7867	1.41421
There is sufficient backup of IFMIS for security of data in the County	29.8	38.0	7.6	12.1	12.5	3.6865	1.37018
Adoption of IFMIS in County public financial management operations has affected the performance of County Governments	28.7	38.1	8.7	9.1	15.5	3.7539	1.36429
The training of county staff on IFMIS use in the County has affected the performance in the County	27.5	36.3	11.7	11.1	13.5	3.6322	1.35597
The performance of County Governments has been affected by the integration of IFMIS with other PFM systems in County operations	31.7	28.0	12.9	14.5	13.0	3.5497	1.43965
Sufficient backup of IFMIS affects the security of data in the County	30.7	33.0	12.5	10.8	13.0	3.6061	1.33817
The IFMIS reforms have a positive correlation with the performance of County	30.4	38.1	4.9	11.1	10.5	3.7931	1.40134

Source: Researcher (2019)

4.4.4 Relationship between Financial Reporting Reforms and Performance of County Governments

The respondents were asked give their views on various indicators of financial reporting reforms and the performance and the outcomes were as shown in Table 4.10. The findings of the study revealed that there is adoption of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting practices in the County as strongly agreed by 33.0 percent of the respondents with a mean of 3.8205 and a standard deviation of 1.29625.

Less than half (30.9 percent) of the respondents strongly agreed that there is preparation of consolidated financial statements in the County representing a mean of 3.6361 and a standard deviation of 1.19985. The findings indicated that 31.8 percent of the respondents strongly agree that there is operationalization of Treasury Single Account in the County with a mean of 3.6867 and a standard deviation of 1.19421.

The respondents were further asked whether there is generation of quality financial reports by the County and the results showed that 40.0 percent of the respondents agreed that there were generation of quality reports with a mean of 3.6065 and a standard deviation of 1.23018. The adoption of International Public Sector Accounting Standards (IPSAS) affects the financial accounting and reporting practices in the County as agreed by 36.1 percent of the respondents with a mean of 3.7489 and standard deviation of 1.35429.

Majority of the respondents at 40.3 percent agreed that preparation of consolidated financial statements affects the performance of County Governments with a mean of 3.5932 and a standard deviation of 1.26598. The financial reporting reforms affect the performance of County Governments as agreed by 42.1 percent of the respondents with a mean of 3.8731 and standard deviation of 1.10134.

Table 4.10

Descriptive Statistics on Financial Reporting Reforms and Performance

Statement	Percentages					Mean	Std. Deviation
	5	4	3	2	1		
There is adoption of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting practices in the County	33.0	22.6	8.7	12.7	13.0	3.8205	1.29625
There is preparation of consolidated financial statements in the County	30.9	33.7	11.0	9.8	15.1	3.6361	1.19985
There is operationalization of Treasury Single Account in the County	31.8	44.0	7.6	6.0	10.6	3.6867	1.19421
There is generation of quality financial reports by the County	27.8	40.0	8.1	12.1	12.5	3.6065	1.23018
The adoption of International Public Sector Accounting Standards (IPSAS) affects the financial accounting and reporting practices in the County	30.7	36.1	8.7	9.6	15.0	3.7489	1.35429
Preparation of consolidated financial statements affects the performance of County Governments	25.5	40.3	9.7	11.1	13.5	3.5932	1.26598
Operationalization of Treasury Single Account affects the management of cash flow in the County	34.7	30.4	12.5	14.0	8.5	3.7497	1.03925
Generation of quality financial reports has affected the performance of County Governments	30.7	33.0	6.5	16.5	13.3	3.6781	1.33817
The financial reporting reforms have a statistically significant relationship with the performance of County	26.4	42.1	9.9	8.0	13.6	3.8731	1.10134

Source: Researcher (2019)

4.4.5 Relationship between Audit Reforms and Performance of County Governments

The results of the study as shown in Table 4.11 indicated that internal audit functions have been strengthened in the County with 40.9 percent of the respondents strongly agreeing with a mean of 3.6082 and a standard deviation of 1.40744. The findings of the study illustrated that 39.2 percent of the respondents strongly disagreed that there is independence of internal audit function in the County representing a mean of 3.5965 and a standard deviation of 1.39991.

As strongly disagreed by minority of the respondents at 43.3 percent, it was revealed that there was no compliance of internal auditors to their professional standards and code of ethics reflecting a mean of 3.6023 and a standard deviation of 1.40369. The findings of the study showed that Audit committee has been established in the County as indicated by 37.4 percent of the respondents with a mean of 3.5848 and a standard deviation of 1.41322. The outcome of the study showed that there is preparation of audit reports on a timely basis in the County as demonstrated by 36.3 percent of the respondents who strongly agreed representing a mean of 3.6023 and a standard deviation of 1.40369. It was found out that 38.0 percent of the respondents strongly agreed that the execution of internal audit functions has affected the performance of County Governments representing a mean of 3.6257 and a standard deviation of 1.43085.

The findings further indicated that 37.4 percent of the respondents strongly agreed that the performance of County Governments has been affected by the independence of internal audit function with a mean 3.5965 and a standard deviation of 1.41246. The results of the study displayed that 39.2 percent of the respondents strongly agreed that compliance of internal auditors to their professional standards and code of ethics has affected the performance of County Governments with a mean of 3.5556 and standard deviation 1.43532.

It was also revealed by the findings that 40.9 percent of the respondents strongly agreed that the establishment of audit committee has affected the performance of County Governments depicting a mean of 3.6082 and a standard deviation 1.40744. Preparation of audit reports on a timely basis has affected the performance of County Governments as strongly agreed by the majority of the respondents at 35.1 percent indicating a mean of 3.5497 and standard deviation of 1.40237.The respondents were

finally asked to indicate the effect of audit reforms on the performance of County Governments and the outcome of the study revealed that 37.4 percent of the respondents strongly agreed that audit reforms affect the performance of County Governments with a mean of 3.5029 and a standard deviation of 1.43639.

Table 4.11

Descriptive Statistics on Audit Reforms and Performance

Statement	**Percentages**					**Mean**	**Std. Deviation**
	5	**4**	**3**	**2**	**1**		
Internal audit functions have been strengthened in the County	40.9	31.6	5.8	11.1	10.5	3.6082	1.40744
There is independence of internal audit function in the County	7.0	11.1	6.4	36.3	39.2	3.5965	1.39991
There is compliance of internal auditors to their professional standards and code of ethics	9.4	10.5	7.6	29.2	43.3	3.6023	1.40369
Audit committee has been established in the County	37.4	29.8	12.9	9.4	10.5	3.5848	1.41322
There is preparation of audit reports on a timely basis in the County	36.3	32.7	8.2	11.1	11.7	3.6023	1.40369
The execution of internal audit functions has affected the performance of County Governments	38.0	33.9	6.4	11.7	9.9	3.6257	1.43085
The performance of County Governments has been affected by the independence of internal audit function	37.4	34.5	5.3	11.7	11.1	3.5965	1.41246
Compliance of internal auditors to their professional standards and code of ethics has affected the performance of County Governments	39.2	25.1	9.7	15.8	9.0	3.5556	1.43532
The establishment of audit committee has affected the performance of County Governments	40.9	28.7	10.5	32.3	7.6	3.6082	1.40744
Preparation of audit reports on a timely basis has affected the performance of County Governments	35.1	33.1	15.2	8.2	7.6	3.5497	1.40237
The audit reforms have a positive association with the performance of County	37.4	28.7	8.2	15.8	9.9	3.5029	1.43639

Source: Researcher (2019)

4.5 Correlations Analysis

The study sought to examine the linear relationship between independent variables and performance of County Governments. Table 4.12 shows the summary of correlation results. The first objective was to establish the relationship between the legal framework reforms and the performance of County. The findings indicated a positive correlation between legal framework reforms and the performance of selected County Governments in Kenya, r (171) =0.736, p-value <0.05. The second objective was to analyze the relationship between budgetary reforms and performance of the Selected County Governments in Kenya. The results showed a positive correlation between budgetary reforms and the performance of selected County Governments in Kenya, r (171) =0.671, p-value <0.05. The third objective sought to examine the relationship between IFMIS reforms and performance of the selected County Governments in Kenya. The outcome of study showed that there was a positive correlation between IFMIS reforms and the performance of selected County Governments in Kenya, r (171) =0.799, p-value <0.05. The fourth objective was to determine the relationship between financial reporting reforms and performance of the selected County Governments in Kenya. The outcome of the study shows that there is positive correlation between financial reporting reforms and the performance of selected County Governments in Kenya, r (171) =0.673, p-value <0.05.

The last objective was to explore the relationship between audit reforms and performance of the selected County Governments in Kenya. The results indicated a positive correlation between audit reforms and the performance of selected County Governments in Kenya, r (171) =0.794, p-value <0.05.

Table 4.12
Correlations Analysis

	Legal framework reforms	Budgetary reforms	IFMIS reforms	Financial reporting reforms	Audit reforms
The legal framework reforms	.736**				
The budgetary reforms	.671**	1			
The IFMIS reforms	.799**	.452**	1		
The financial reporting reforms	.673**	.654**	.785**	1	
The audit reforms	.794**	.527**	.725**	.747**	1

Source: Researcher (2019)

*Note **p< 0.01 level (2-tailed) *p< 0.05level (2-tailed); N=171*
Dependent variable: performance

Therefore, an increase in use of legal framework reforms led to an increase in performance of selected County Governments in Kenya. The findings of the study are in line with the arguments advanced by ICPAK (2017) that proper legal framework enhances prudent utilization of public resources. It was also revealed that an increase in use of budgetary reforms led to an increase in performance of selected County Governments in Kenya. The findings support the findings of Tunji (2013) that budgeting impacts the performance of organizations and dictate the overall achievement of the intended objectives.

It was also noted that an increase in use of IFMIS leads to an increase in performance of selected County Governments in Kenya. The findings are consistent with the results of a study undertaken by Kuria (2011) which found out that IFMIS had a positive relationship with the performance. Furthermore, an increase in use of financial reporting reforms led to an increase in performance of selected County

Governments in Kenya. The outcome of the study confirms the findings of Christiaens (2010) that adoption of IPSAS in financial reporting significantly affects the transparency and efficiency. Finally, an increase in the application of audit reforms leads to an increase in performance of County. The results are in line with the findings of Dwiputrianti (2011) that improved professionalism and independence of internal audit greatly improves the quality of audit reports hence the performance. This is further supported by Marete and Gakii (2013) who found out that audit committee enhances transparency and reduced level of corruption.

4.6 Regression results for public financial management reforms and performance of County Governments

Table 4.13 shows summary results of regression analysis for the five independent variables of the study. The co-efficient of determination, R^2 for the legal framework reforms was 0.541 meaning that 54.1 % of performance of selected County Governments in Kenya can be explained by legal framework reforms with 45.9% being described by other reforms outside the variable. The findings dispute with hypothesis H_{01} that the legal framework reforms have no significant relationship with the performance of selected County Governments in Kenya The co-efficient of determination, R^2 for the second objective was 0.450 meaning that 45.0 % of performance of selected County Governments in Kenya can be explained by budgetary reforms with 55 % being described by other reforms outside the variable. The findings disagree with hypothesis H_{01} that the budgetary reforms have no significant relationship with the performance of selected County Governments in Kenya. The co-efficient of determination, R^2 for the third objective was 0.636 meaning that 63.6% of performance of selected County Governments in Kenya can be explained by IFMIS reforms with 36.4% being described by other reforms outside the

variable. The findings dispute with hypothesis H_{01} that the IFMIS reforms have no significant relationship with the performance of selected County Governments in Kenya.

The co-efficient of determination, R^2 for the fourth objective was 0.709 meaning that 70.9 % of performance of selected County Governments in Kenya can be explained by financial reporting reforms with 29.1% being described by other reforms outside the variable. The findings dispute with hypothesis H_{01} that the financial reporting reforms have no significant relationship with the performance of selected County Governments in Kenya. The co-efficient of determination, R^2 for the last objective was 0.627 meaning that 62.7 % of performance of County Governments can be explained by audit reforms with 37.3% being described by other reforms outside the audit reforms. The findings dispute with hypothesis H_{01} that the audit reforms have no significant relationship with the performance of selected County Governments in Kenya.

Table 4.13

Model Summary on Independent Variables and Dependent Variable

Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**	**P-Values**
1. Legal framework reforms	.736[a]	.541	.538	.95106	.002
2. Budgetary reforms	.671[a]	.450	.446	1.04151	.001
3. IFMIS reforms	.799[a]	.638	.636	.84474	.003
4. Financial reporting reforms	.673[a]	.452	.451	.75496	.001
5. Audit reforms	.794[a]	.630	.626	.85750	.003
N=171					

Predictors: (Independent variables)

Source: Researcher (2019)

4.7 Analysis of Variance (ANOVA)

Table 4.14 indicates the summary results for the analysis of variance (ANOVA). The first objective was to establish the relationship between legal framework reforms and performance of selected County Governments in Kenya. The outcome indicated a significant relationship (1, 171) F =199.328, p<0.05).

The model gave ANOVA regression sum squares of 180.295 and residual sum square of 152.863. The mean square for regression is 180.295 and a residual mean of 0.905. The results indicated that the overall model was statistically significant. The results further imply that the independent variables are good predictors of the dependent variable which was supported by an *F*-statistics value of 199.328 with a *p*– value of 0.000 which was less than the conventional probability of 0.05significance level.

The model for the second objective gave ANOVA regression sum squares of 149.835 and residual sum square of 183.323. The mean square for regression is 149.835 and a residual mean of 1.085. The results indicated that the overall model was statistically significant. The results further imply that the independent variables are good predictors of the dependent variable which was supported by an *F*-statistics value of 138.129 with a *p*– value of 0.000 which was less than the conventional probability of 0.05significance level.

The model for the third objective gave ANOVA regression sum squares of 297.876 and residual sum square of 120.957. The mean square for regression is 212.561 and a residual mean of 0.714. The results indicated that the overall model was statistically significant. The results further imply that the independent variables are good predictors of the dependent variable which was supported by an *F*-statistics value of 297.876 with a *p*– value of 0.001 which was less than the conventional probability of 0.05significance level.

The findings for the fourth objective provided a p-value of 0.004<0.05 and F-statistic of 415.522. This indicated that the relationship between financial reporting and the performance of selected County Governments in Kenya was significant at 95% confident level. Therefore, the financial reporting significantly increases the County Governments.

Finally, the study obtained a p-value of 0.001<0.05 and F-statistic of 284.091 for the last objective. This indicated that the relationship between audit reforms and the performance of County Governments was significant at 95% confident level. Therefore, the audit reforms significantly increase the County's performance.

Table 4.14

Analysis of Variance (ANOVA)

Model			Sum of Squares	df	Mean Square	F	Sig.
1.	Legal framework reforms	Regression	180.295	1	180.295	199.328	.000[b]
		Residual	152.863	169	.905		
2.	Budgetary reforms	Regression	149.835	1	149.835	138.129	.000[b]
		Residual	183.323	169	1.085		
3.	IFMIS Reforms	Regression	212.561	1	212.561	297.876	.001[b]
		Residual	120.597	169	.714		
4.	Financial Reporting reforms	Regression	236.834	1	236.834	415.522	.004[b]
		Residual	96.324	169	.570		
5.	Audit reforms	Regression	208.892	1	208.892	284.091	.001[b]
		Residual	124.266	169	.735		

a. Dependent variable: Performance of County Governments

b. Predictors: (Constant), Independent variables

Source: Researcher (2019)

4.8 Multiple Regression Model for public financial management reforms and performance of County Governments

Multiple linear regression analysis was done to help better understand how much the dependent variable change when the independent variables change. It was also used to

test scientific hypotheses about whether and to what extent certain independent variables explain variation. The model was fundamental in giving the connections of the variables through pertinent coefficients. The coefficient of each variable is as indicated in Table 4.15.

Table 4.15
Coefficients of Determination for Independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.348	.175		7.701	.000
Legal framework reforms	.699	.050	.736	14.118	.001
Budgetary reforms	.640	.054	.671	11.753	.001
IFMIS reforms	.756	.044	.799	17.259	.002
Financial reporting reforms	.814	.040	.843	20.384	.003
Audit reforms	.768	.046	.792	16.855	.002
Dependent variable: Performance of County					

Source: Researcher (2019)

The coefficient for the intercept is 1.348 implies that if the independent variables (legal framework reforms, budgetary reforms, IFMIS reforms, Financial reporting reforms and audit reforms) are equated to zero then the performance of selected County Governments in Kenya will improve by a margin of 1.348.

The findings indicated that all the independent variables had positive coefficients as follows: the findings revealed that a unit increase in legal framework reforms will lead to the increase in performance of selected County Governments. by a margin of 0.699. The beta coefficient of budgetary reforms is 0.640 implying that a unit increase in budgetary reforms will leads to an increase in performance of County Governments by a margin of 60.640. Similarly, the beta coefficient of IFMIS reforms is 0.756

meaning that a unit increase in IFMIS reforms will result in an increase in the performance of County Governments by a margin of 0.756. On the other hand, the beta coefficient of financial reporting is 0.814 implying that a unit increase in financial reporting reforms will lead to an increase in the performance of selected County Governments in Kenya by a margin of 0.814. Finally, audit reforms had a beta coefficient of 0.768 will lead to an increment of performance of County Governments by a margin of 7.68. From these findings, the researcher concluded that public financial management reforms strategy had a positive relationship with the performance of County. The multiple regression models for the study were established as follows:

$Y=1.348+0.699X_1+0.640X_2+0.756X_3+0.814X_4+0.768X_5+0.05$, where:

Y=0.699(legal framework reforms) ……………………………………………….X_1

Y=0.640 (budgetary reforms) ………….……………………………………... X_2

Y=0.756 (IFMIS reforms) ……………………………………………………... X_3

Y=0.814 (financial reporting reforms) …………………………………………... X_4

Y=0.768 (audit reforms) …………………………...………………………..… X_5

0.05 (Error of margin) …………………………………………….………………… ε

4.9 Summary of Chi-Square Analysis of the Independent Variables and Dependent Variable

Further chi-square tests were conducted to determine the statistical association between the independent variables and dependent variable and the outcome were as indicated in Table 4.16. The Chi-square test was intended to test how likely it was that an observed distribution was due to chance.

Table 4.16

Summary of Chi-Square Analysis of the Independent and Dependent Variables

Variable	**N**	**Chi-square value x^2**	**Significant level (P-0.05)**
Legal framework reforms	171	616.087	0.015
Budgetary reforms	171	615.983	0.013
IFMIS reforms	171	616.881	0.018
Financial reporting reforms	171	639.701	0.023
Audit reforms	171	614.458	0.012

Source: Researcher (2019)

The chi-square test between the legal framework reforms and performance of selected County Governments indicated $P=0.015<0.05$, therefore, there is statistically significant relationship between legal framework reforms and the performance. In this case, the null hypothesis that $H_0 1$: legal framework reforms have no statistically significant relationship with performance of selected County Governments in Kenya is rejected.

The chi-square test between the budgetary reforms and performance of selected County Governments indicated $P=0.013<0.05$, therefore, there was statistically significant relationship between budgetary reforms and the performance. In this case, the null hypothesis that $H_0 2$: budgetary reforms have no statistically significant relationship with the performance of selected County Governments in Kenya was rejected.

The chi-square test between the IFMIS reforms and performance of selected County Governments indicated $P=0.018<0.05$, therefore, there was statistically significant relationship between IFMIS reforms and the performance. In this case, the null hypothesis that $H_0 3$: IFMIS reforms do not have statistically significant relationship with the performance of selected County Governments in Kenya was rejected.

The chi-square test between the financial reporting reforms and performance of selected County Governments indicated $P=0.023<0.05$, therefore, there was statistically significant relationship between financial reporting reforms and the performance. In this case, the null hypothesis that $H_0 4$: financial reporting reforms have no statistically significant relationship with the performance of selected County Governments in Kenya is rejected.

The chi-square test between the audit reforms and performance of selected County Governments indicated $P=0.012<0.05$, therefore, there was statistically significant relationship between audit reforms and the performance. In this case, the null hypothesis that $H_0 5$: Audit reforms have no statistically significant relationship with the performance of selected County Governments in Kenya is rejected.

From the findings of the study, all the null hypotheses were rejected and therefore the alternate hypotheses were accepted i.e.

$H_a 1$: there was statistically significant relationship between legal framework reforms and the performance of County Governments.

$H_a 2$: there was statistically significant relationship between budgetary reforms and the performance of County Governments

$H_a 3$: there was statistically significant relationship between IFMIS reforms and the performance of County Governments

$H_a 4$: there was statistically significant relationship between financial reporting reforms and the performance of County Governments

$H_a 5$: there was statistically significant relationship between audit reforms and the performance of County Governments

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents the summary of the research findings that were obtained from the study that was anchored on specific objectives. It also presents conclusions that were made, the recommendations that were drawn, and finally, the suggested areas for further research.

5.2 Summary of the findings

The main objective of the study was to establish the relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya. In particular, the study sought to investigate the relationship between legal frameworks reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms and the performance of selected County Governments in Kenya.

5.2.1 Relationship between Legal Framework Reforms and the Performance of County Governments

The first specific objective was to establish the relationship between legal framework reforms and the performance of selected County Governments in Kenya. The study hypothesized that the legal framework reforms have no significant relationship with the performance of selected County Governments in Kenya. Notwithstanding, the results showed that a positive statistically significant relationship existed between the two variables with legal framework reforms explaining 73.6% of performance of selected County Governments in Kenya leaving 26.4% by other factors outside the model. The findings showed there was statistically significant relationship between legal framework reforms and the performance

5.2.2 Relationship between Budgetary Reforms and the Performance of County Governments

The second objective that guided the study was to analyze the relationship between budgetary reforms and the performance of selected County Governments in Kenya. The study hypothesized that budgetary reforms have no significant relationship with the performance of selected County Governments in Kenya. However, the results of the study revealed a strong positive correlation between budgetary reforms and the performance of County Governments hence statically significant, with 67.1% of budgetary reforms dictating the performance leaving 32.9% by other variables outside the budgetary reforms. The results indicated that there was statistically significant relationship between budgetary reforms and the performance.

5.2.3 Relationship between IFMIS reforms and the Performance of County Governments

The third objective of the study was to examine the effects of IFMIS on the performance of the selected County Governments in Kenya. This objective was hypothesized that IFMIS reforms has no significant relationship with the performance of County. The study found out that there was a positive relationship exists between IFMIS reforms and the performance of selected County Governments in Kenya. The findings illustrated that IFMIS reforms was statistically significant in explaining 79.9% of the performance of County Governments at a significant level of 95%. The findings revealed that there was statistically significant relationship between IFMIS reforms and the performance.

5.2.4 Relationship between Financial Reporting Reforms and the Performance of County Governments

The fourth objective of the study was to determine the relationship between financial reporting reforms and the performance of selected County Governments in Kenya. The study hypothesized that financial reporting reforms have no significant relationship with the performance of selected County Governments in Kenya. The study found out that 67.3 % of the performance of selected County Governments in Kenya can be explained by financial reporting reforms with 32.7% being defined by other reforms outside the variable. This shows that financial reporting reforms are statistically significant in determining the performance of County.

5.2.5 Relationship between Audit Reforms and the Performance of County Governments

The last objective of the study was to explore the relationship between audit reforms and the performance of selected County Governments in Kenya. The study found out that audit reforms had significant positive relationship with the performance of selected County Governments in Kenya. The correlation between audit reforms and the performance of selected County Governments in Kenya is of interest because the results indicated that 79.4% of performance of selected County Governments can be expounded by the audit reforms with 20.6% being described by other reforms external to the audit reforms hence the hypothesis was rejected. The outcome of the study showed that there was statistically significant relationship between audit reforms and the performance.

5.3 Conclusions

The general objective for the study was to establish the relationship between public financial management reforms strategy and the performance of selected County

Governments in Kenya. The study was carried out in line with the various challenges that County Governments face with regards to public financial management practices. Specifically, the variables that the study investigated were: legal framework reforms, budgetary reforms, IFMIS reforms, financial reporting reforms and audit reforms and their relationship with the performance of County Governments.

The findings of the study showed that legal framework reforms have a statistically significant relationship with the performance of County Governments. The study therefore concludes, the compliance with, implementation, and public participation aspects of the legal framework reforms greatly contributed to the performance of selected County Governments in Kenya.

In relation to the second objective, the study found out a statistically significant relationship between budgetary reforms and the performance of the County Governments. The study therefore concludes that alignment of budgets with CIDP, the harmony between County Executive and County Assembly in budget preparation process, and budget reviews critically affected the performance of selected County Governments in Kenya. However, it was noted that delay in disbursement of funds from the National Treasury tremendously hampered budget implementation process.

Based on the results of the study, it was revealed that IFMIS reforms has a statistically significant relationship with the performance of the County Governments, the study concludes that the major aspects contributing to this relationship were IFMIS adoption, staff training on IFMIS use, integration of IFMIS with other systems and provision of IFMIS sufficient backups.

Remarkably the findings on financial reporting reforms indicated a statistically significant relationship with the performance of selected County Governments in

Kenya with the adoption of IPSAS, preparation of financial statements and generation of quality financial reports contributing to this relationship.

Finally, it was concluded that audit reforms had a statistically significant relationship with the performance of selected County Governments in Kenya. Ideally, strengthening of audit functions, audit independence, establishment of audit committees and compliance of auditors to professional standards positively contributed to this relationship.

Therefore, from the above results, it can be concluded public financial management reforms strategy can contribute towards improved performance of the selected County Governments in Kenya.

5.4 Recommendations

The study makes recommendations to the National and County Governments, stakeholders and policy makers in line with the objectives, findings and conclusions of the study.

The first specific objective of the study was to establish the relationship between legal framework reforms and the performance of selected County Governments in Kenya. The results showed that a positive statistically significant relationship existed between the two legal framework reforms and the performance of selected County Governments in Kenya. It is recommended that the National and County Governments should review the existing legal framework reforms to ensure effective compliance and full implementation in order to improve the performance of selected County Governments in Kenya.

The second objective that guided the study was to analyze the relationship between budgetary reforms and the performance of selected County Governments in Kenya.

The results of the study revealed a statistically significant relationship between budgetary reforms and the performance of selected County Governments in Kenya. It is recommended that County Governments should align their budgets to their strategic priorities in order to enhance their performance.

The third objective of the study was to examine the effects of IFMIS on the performance of the selected County Governments in Kenya. The findings illustrated that IFMIS reforms had a statistically significant relationship with the performance of selected County Governments in Kenya. From the findings of the study, it is recommended that IFMIS connectivity should be improved and that staff capacity building should be carried out to enhance the performance of selected County Governments in Kenya.

The fourth objective of the study was to determine the relationship between financial reporting reforms and the performance of selected County Governments in Kenya. The results disclosed that financial reporting reforms had a statistically significant relationship with the performance of selected County Governments in Kenya. It is recommended that adoption of IPSAS in financial reporting should be strengthened to enhance the performance of selected County Governments in Kenya.

The last objective of the study was to explore the relationship between audit reforms and the performance of selected County Governments in Kenya. The outcomes of the study revealed a statistically significant relationship between audit reforms and the performance of selected County Governments in Kenya. Based on the findings of the study, it is recommended that internal audit independence and capacity building for audit committees should be strengthened to enhance the performance of selected County Governments in Kenya.

From the findings of the study, it is recommended that public financial management reforms strategy should be effectively implemented to ensure optimal performance of County Governments.

5.5 Areas for Further Research

There may be some practices that influence the performance of selected County Governments in Kenya that are not included in this study. It is therefore recommended that further studies need to be undertaken in the following areas: effect of legal reforms on the performance of parastatals in Kenya as the findings may differ with that of county governments as they are managed by national government. Another possible area for future research would be to investigate the effectiveness of public participation in relation to the performance of selected County Governments in Kenya. This is because most of the citizens' complaints emanate from poor dissemination of information with regards to various projects and activities undertaken by the County Governments.

REFERENCES

Abass, K. M. (2017). The relationship between strategy implementation and performance in county governments of Kenya: a case study of Wajir county government. *International Academic Journal of Human Resource and Business Administration*, 2 (3) 381-401.

Adhikari, P., Kuruppu, C., & Matilal, S. (2013). *(2013). Dissemination and institutionalization of public sector accounting reforms in less developed countries:A comparative study of the Nepalese and Sri Lankan central governments, Accounting Forum 37 (3). 213 - 230. ISSN 0155-9982.* University of Essex.

Alan, E. (2017). *Accelerating PFM Reform in Africa.* IFAC Global Knowledge Gateway.

Aleg. (2016). The Adoption and Implementation of the International Public Sector Accounting Standards: The challenges faced by the United Nation in producing UN-IPSAS compliant financial reports in Kenya. *International Journal of Finance and Accounting Vol.1, Issue 1 No.1,*, 75-91.

Alijarde, I., & Julve, V. (2014). Financial Reporting in the Public Sector: Is it a Reality? *Innovar vol.24*, 107-120.

Allen, C. &. (2017). *Medium-Term Budget Frameworks in Selected Sub-Saharan African Countries.* GENEVA: IMF.

Andrews, M. (2010). *How Far Have Public Financial Management Reforms Come in Africa? HKS Faculty Research Working Paper Series, RWP10-018.* John F. Kennedy School of Government, Harvard University.

Andrews, M. (2013). *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions.* New York: Cambridge University Press (February 11, 2013).

Anthony, N. N., & Maleya, M. O. (2014). Financial Management Reforms and the Economic Performance of Public Sector in Kenya. *European Journal of Business and Management Vol 6.*, 31.

Asif, M. H., Sven-Olov, D., Fredrik, H., & Niklas, R. (2018). *Effect of abolishing mandatory audits for small firms by European Countries: HUI Working Paper Series, number: 131.* UK: Pearson.

Atuilik, W. (2013). *The relationship between the adoption of International Public Sector Accounting Standards (IPSAS) by governments and perceived levels of corruption.* USA: Capella University.

AU. (2018). Joint Meeting of African Union and International Public Sector Accounting Standards Board on IPSAS. *IPSAS Strategy and Work plan* (p. 2). Addis Ababa : AU.

Ayodele, A. A. (2016). “Information and Communication Technologies for Governance in Nigeria: Achievements, Challenges and Opportunities”. *3rd Covenant University Conference on E-governance in Nigeria* (p. 57). Ota Ogun State: Covenant University.

Bellanca, S., & Vandernoot, J. (2014). International Public Sector Accounting Standards Implementation in the Russian Federation. *International Journal of Economics and Financial Issues 6(4)*, 1304-1309.

Bizhan, N. (2017). *Strenghtening Public Financial Management Reforms in Pacific Islands Countries: Lessons from public financial management reforms in the Pacific*. Canberra, Australia: The joint World Bank.

Blumentritt, T. (2006). Integrating strategic management and budgeting",. *Journal of Business Strategy, Vol. 27 Issue: 6*, 73-79.

Bolívar, R., & Galera, N. (2013). Could Fair Value Accounting Be Useful, Under NPM Models, for Users of Financial Information? *International Review of Administrative Sciences*, 73(3)473-502.

Bukenya, M. (2014). The relationship between the quality of accounting information and financial performance of the public sector in Uganda. *American Journal of Research Communication*, 2(5): 183-203.

Capretta, J. C. (2014). Reforming the budget process. *National Affairs*, 39.

Casals , A. (2009). *Integrated Financial Management Systems Best Practices: Bolivia and Chile,” funded underUSAID Contract AEP-I-00-00-00010-00* . Task Order No. 01 .

Ceesay; Ceesay, Ismaila B. (2012). *Liberia - LR-Public Financial Management - IFMIS : P109775 - Implementation Status Results Report : Sequence 03 (English).* Washington, D.C. : World Bank Group.

Chairperson, A. D. (2018, April 30). *Joint Meeting of African Union and International Public Sector Accounting Standards Board on IPSAS.* Retrieved from https://au.int/en/newsevents/20180430/joint-meeting-african-union-and-international-public-sector-accounting-standards.

Cheluget, D. C., & Morogo, V. J. (2017). Effect of financial management practices and project performance in Uasin Gishu County, Kenya. *International Journal of Economics, Commerce and Management, Vol. 5, Issue 5.*, 39-42.

Chignell, P. (2017). *Implementing PFM reform. GSDRC Professional Development Reading Pack no. 53.* . Birmingham, UK: University of Birmingham.: GSDRC Professional Development.

Christiaens, J. (2010). Impact of IPSAS on reforming governmental financial information systems: a comparative study. *International Review of Administrative Sciences 76 issue:3*, 537-554.

Dessalegn , G. M. (2014). *Internal audit effectiveness: an Ethiopian public sector case study.* Emerald Group Publishing Limited.

Dwiputrianti, S. (2011). *Effectiveness of public sector audit reports in Indonesia (preceeding and following audit reform).* Canberra, Australia: Crawford School of Economics and Government.

Edwards. (2017). *The extent to which good accounting practices have driven African economies.* South Africa: University of Cape Town.

Egbide B.C, A. K. (2014). The Impact of Budget Reforms on the Quality of Budget Management in Nigeria. *Research Gate*.

Egbide, B., Omoleyinwa, E., & Imoleayo, O. A. (2016). *The Impact of Budget Reforms on the Quality of Budget Management in Nigeria.* Lagos: Covenant University.

Eivind, T., & Pavesic, S. (2009). *Advanced Public Financial Management Reforms in South East Europe* . International Monetary Fund .

FASB. (2018). *The Conceptual Accounting Framework.*

Foundation, P. G. (2018). Budget Process Reform Principles. *Peter G. Peterson Foundation*.

Fozia, N. (2016). *Effect of Integrated Financial Management Information Systems Practices on the Implementation of Preference Regulations on State Corporations in Kenya. International Journal of Innovative Research and Development. 5. 235-243.* . Research gate.

GoK. (2003). *IFMIS Re-engineering.* Nairobi: Government Printers.

Gouhua, H. (2014). *China Moves Ahead on Accrual Accounting.* IMF.

Halimah Nasibah Ahmad, R. O. (2012). *The Effectiveness of Internal Audit in Malaysian Public Sector.* Research Gate.

Hashim, A., & Piatti-Fünfkirchen, M. (2018). *Lessons from Reforming Financial Management Information Systems : A Review of the Evidence.* World Bank.

Hendriks, C. J. (2013). Integrated Financial Management Information Systems: guidelines for effective implementation by the public sector of South Africa. *South African Journal of Information Management 14(1)*, 71-80.

Horngren et al. . (2004). *Management Accounting. (4th Ed.).* . Toronto: Prentice Hall Publishers.

IFAC. (2008). *International Federation of Accountants Reform Proposals.*

Ijeoma, N. (2014). Adoption of International Public Sector Accounting Standards in Nigeria: Expectations, Benefits and Challenges. *The Journal of Investment Management. 6(8)*, 15-17.

IMF. (2017). *IMF Working Paper.* IFM.

International Federation of Accountants. (2008). *Handbook of Auditing, Assurance and Ethics Pronouncements.*

Isaboke, M. E., & Kwasira, J. (2016). Assessment of budgeting process on financial performance of county government of Nakuru, Kenya. *International Journal of Economics, Commerce and Management 4(5)*, 134-150.

Jahangirnagar University. (2017). Application of ICT in Public Sector Accounting of Bangladesh. *Dhaka University Journal of Business Studies 1*, 1.

Jared , O., & Mutambara, E. (2017). *ntegrated Financial Management Information System: a conceptual framework for Migori County, Kenya.* Research Gate.

Javed, M., & Zhuquan. (2018). Analysis of Accounting Reforms in the Public Sector of Pakistan. *Universal Journal of Accounting and Finance*, 6 (1) 124-128.

Jena, R. P. (2014). *Improving Public Financial Management in India:Opportunities to Move Forward.* India: National Institute of Public Finance and Policy.

Jesus, J. d., A, M., Eirado, & J, B. S. (2012). Relevance of accounting information to public sector accountability: A study of Brazilian federal public universities. *Tékhne , 10(2),* , pp. 87-98.

John Wanna, L. J., & Wanna. J,Jensen. L,Jouke. V. (2009). *The Reality of The Reality of.* London: Elgar, 2010: The Reality of Budget Reform: Counting the Consequences in 11 Advanced Democracies.

Kaboyakgosi, G. (2011). *Enhancin G Publi C Budge T Transparenc Y I N Botswana : Wh Y An D How ? Botswana Institute For Development Policy Analysis.* Botswana Institute for Development Policy Analysis.

Karanja, M. K. (2011). *Factors influencing the effectiveness of internal audit in public sector.* Nairobi: Kenyatta University.

Karungani, W., & Onchiri, G. (2017). Effect of Policy and Regulatory Framework on Organizational Performance: A Case of Nairobi County, Kenya. *International Journal of Economics, Commerce and Management 5*, 132-136.

Kathungu, R. (2016). *The effect of budget utilization on the performance of county governments: a case study of eastern Kenya region.* Nairobi: University of Nairobi.

Kiilu, M., & Ngugi, K. (2014). Effect of Public Financial Management Reforms in the Effective Management of Public Funds in Kenya: A Case Study of the National Treasury. *European Journal of Business Management*, 2(1), 161-169.

KIPPRA. (2018). *Towards Strengthening Public Financial Management in County Governments in Kenya.* Nairobi: Kenya Institute for Public Policy.

KPMG. (2014). *EU audit reforms – the KPMG view.* UK : IFRG Limited.

Kudryashova , E. (2016). *Budgetary Institutions in the Context of Budget Reform in Russia.* Russia: Munich Personal RePEc Archive.

Kumar, & Ranjit. (2014). *Research Methodology: A Step-by-Step Guide for Beginners. Fourth.* Thousand Oaks,California:: Sage Publications.

Kuria, R. M. (2011). *The impact of the public financial management reforms on financial operations of the ministry of finance a case of ministry of finance.* Nairobi: University of Nairobi.

Legenkovas. (2016). International Public Sector Accounting Standards Implementation in the Russian Federation. *International Journal of Economics and Financial Issues. 6(4)*, 1304-1309.

Levin, D. (1988). *The opening of vision: Nihilism and the postmodern situation.* London.: Routledge.

Lucienne , B. T., & Amaresh, C. (2009). *DRM, a Design Research Methodology.* India: Springer Publishing Company.

Lynn Jr., L. (1999). Public Management In North America,. *Public Management (1461667X)*, 1(2), pp. 301-310.

Magani, G. A., & Gichure, J. M. (2018). Influence of Public Financial Management Reforms on Budget Implementation by Kenyan City Counties. . *International Journal of Law and Society1(2)*, 46-63.

Makamanzi, A. (2016). *The Impact of budgeting and budgetary control on performance of Great Zimbabwe University.* http://hdl.handle.net/11408/2380.

Marc, R., & Jim, B. (2005). *Does Performance Budgeting Work? An Analytical Review of the Empirical Literature.* Washington, DC: IMF.

Marete, L. (2013). *The role of audit committees on public financial management in Kenya Government Ministries.* Nairobi: Kenyatta University.

Mario, P., & Gerardo, U. (2017). *Implementing a Public Services Cost System in São Paulo (Brazil).* IMF.

Matthew , A. (2010). *How Far Have Public Financial Management Reforms Come in Africa? HKS Working Paper No. RWP10-018.* Harvard University - Harvard Kennedy School (HKS).

Mayne, J. (2006). Audit and Evaluation in Public Management: Challenges, Reforms, and Different Roles. *The Canadian Journal of Program Evaluation Vol. 21 No. 1*, 11–45.

Messick, S. (1989). 'Validity', in R. L. Linn (ed.). *Educational Measurement (Macmillan, New York)*, pp. 13–103.

Micheni. (2017). *The Critical Success Factors of Integrated Financial Management Information systems in selected county governments in Kenya.*

Miraj , J., & Wang , Z. (2018). Analysis of Accounting Reforms in the Public Sector of Pakistan and Adoption of Cash Basis IPSAS. *Universal Journal of Accounting and Finance 6(2)*, 47-53.

Muage et al . (2014). *The effect of procurements legislation implementation on procurement performance of constituency development fund (CDF) committees in Kenya.* Nairobi: University of Nairobi.

Mugenda, O., & Mugenda, A. G. (2003). *Research Methods: Qualitative and Quantitative Approaches.* . Nairob: ACTS Press.

Muhammad, J. A. (2014). Accounting quality in the pre-/post-IFRS adoption periods and the impact on audit committee effectiveness — Evidence from Australia. *Pacific-Basin Finance Journal 4(5)*, 112-114.

Mukabi, F. K. (2015). Devolved Governance in Kenya; Is it a False Start in Democratic Decentralization for Development? *International Journal of Economics, Finance and Management*, 4 (1) 230-246.

Munyambonera, & Lwanga. (2015). *The progress and impact of the on-going public finance management reforms undertaken by the MFPED since 2012/13.* Kampala. Uganda: Economic Policy Research Centre (EPRC).

Munywoki. (2016). *The relationship between public procurement regulations and procurement performance in Nairobi County.* University of Nairobi.

Muriu,, R. (2012). *Decentralization, citizen participation and local public service delivery: A study on the nature and influence of Citizen Participation on decentralized service Delivery in Kenya.* Nairobi: University of Nairobi.

Musee, J. K. (2011). *Factors Affecting Effective Implementation of Intergrated Financial Management Information Systems (IFMIS) In Government Ministries in Kenya.* Nairobi: University of Nairobi.

Mutai, K. (2003). *(2003) Training of Teachers before being promoted to be Education Administrators.* . Nairob: Nation Media Group.

Muturi, V. O. (2016). *Factors Affecting The Implementation Of Integrated Financial Management Informantion Systems In County Governments Of Kenya.* OSR Journal of Business and Management.

Mwakalobo, A. B. (2009). *Mwakalobo, Adam Beni Swebe, "Economic Reforms in East African Countries: The Impact on Government Revenue and Public Investment".* Amherst: University of Massachusetts .

National Treasury. (2016). *The Strategy for Public Financial Managment Reforms in Kenya.* Nairobi: Government Printers.

Ndakengerwa , A. G., & Nyamita, M. O. (2015). *The National Budget System And Its Effectiveness On Public Financial Management Within Ministries In Rwanda.* Research Gate.

Nderitu, A. G. (2018). Effect of public sector accounting standards on financial reporting of county governments in the central region of Kenya. *International Academic Journal of Economics and Finance*, 44-63.

Ngahu, M. M. (2016). Influence Of Integrated Financial Management Iinformation System on Financial Management in County government of Nakuru, Kenya. *International Journal of Economics, Commerce and Managemen 1, (1)*, 200-2013.

Njonde, J., & Kimanzi, K. (2014). Effect of integrated financial management information system on performance of public sector: A case of Nairobi County Government. *International Journal of Social Sciences and Entrepreneurship*, 1 (12), 913-936.

Njoroge, N. (2012). *The Relationship between Financial Management Reforms and the Economic Performance of Public Sector In Kenya* . Nairobi: University of Nairobi.

Nkwagu, N. (2016). Implications of International Public Sector Accounting Standards on Financial Accountability in the Nigerian Public Sector: A Study of South Eastern States. *IOSR Journal of Business and Management (IOSR-JBM) (1) 5*, 105-118.

Nyanumba, P. (2017). The influence of budget planning on financial sustainability of county governments in Kenya. *International Journal of Business & Law Research 5(2)*, 49-59.

Obadiah, & Nasieku. (2015). Factors affecting budget execution by county governments in Kenya. *International Journal of Science and Research (IJSR) (6) 14*, 2319-7064 .

Ocansey, E. (2014). Comparative Study of The International Financial Reporting Standard Implementation in Ghana and Nigeria. . *European Scientific Journal 1010(1313)*, 1857-7881 .

OECD. (2004). The Legal Framework for Budget Systems: An International Comparison. *OECD Journal on Budgeting (4) 5*, 113-116.

Office of the Controller of Budget. (2018). *Implementation review report first quarter fy 2018/19county governments budget* . Nairobi: Office of the Controller of Budget.

Ogachi, V. (2016). Factors Affecting The Implementation Of Integrated Financial Management Informantion Systems In Selected County Governments Of Kenya. *IOSR Journal of Business and Management (IOSR-JBM)*, Volume 18(10), PP 95-104.

Ojwang, B., & Kimani, M. (2016). Influence of budgetary controls on service delivery in county government of Nakuru in Kenya. . *International Journal of Economics, Commerce and Management (4) 10*, 112-117.

Okungu, T. O. (2015). *The impact of implementation of international public sector accounting standards on financial reporting in public sector in Kenya.* Nairobi: University of Nairobi.

Oluoch, F. (2018). *Auditing of Public Sector Entities. ICPAK Uphold Public Interest.* Nairobi: ICPAK.

Onyango, O. (2014). *The influence of internal controls on performance of county governments.* Nairobi: University of Nairobi.

Orodho, J. (2003). *Essential of Educational and Social Science Research Methods.* Nairobi: Masola Publisher.

Osia, M. M. (2018). *Challenges of strategy implementation in selected sugar companies in Kenya.* Nairobi: Jomo Kenyatta University of Agriculture, Science and Technology.

Pearson, D. (2014). *Significant reforms in public sector audit – staying relevant in times of change and challenge.*. Niterói: Emerald Group Publishing Limited.

Qi, Y., & Mensah, Y. M. (2012). *An Empirical Analysis of the Effect of Performance-Based Budgeting on State Government Expenditures. Research Paper, School of Business Administration China University of Petroleum and Center for Governmental Accounting Education and Research Rutgers Busi.* Beijing: Beijing and Rutgers.

Republic of Kenya. (2019, June 7). *The Constitution of Kenya, 2010*. Retrieved from Kenya Law: www.kenyalaw.org

Schelker , M. (2013). Auditors and Corporate Governance: Evidence from the Public Sector. *Kyklos, 66(2)*, 275-300.

Shapiro, & Amy. (2004.). 'Who Pays the Auditor Calls the Tune: Auditing Regulation and Clients' Incentives',. *Seton Hall Law Review,*, 35: 1029.

Shin, J. C. (2010). *Impacts of Performance-Based Accountability on Institutional Performance in the U.S.* Retrieved from ERIC: https://eric.ed.gov/?id=EJ885986

Smith, J., & Noble, H. (2014). Bias in research. Evidence Based Nursing,. *Journal of Advanced Nursing*, 17, 2, 2-3.

Society for International Development. (2012). *Public Finance Reforms in Kenya.* Nairobi: Society for International Development.

Straub, D., & Boudreau, M. (2004). Validation guidelines for IS positivist research. Communications of the Association for Information Systems. *Communications of the Association for Information Systems (13) 24*, 121-125.

Sundaram, J. K., & Chowdhury, A. (2012). *governance and development.*

Tat-Kei , A. H. (2018). *From Performance Budgeting to Performance Budget Management: Theory and Practice.* Research Gate.

(2016). *The Impact of Budget Reforms on the Quality of Budget Management in Nigeria.*

Tunji, T. (2013). The Impact of Budgeting and Budgetary Control on the Performance of Manufacturing Company In Nigeria. *Journal of Business Management & Social Sciences Research (JBM&SSR), Volume 2*, 12.

USAID. (2008). *Introducing Integrated Financial Management Information Systems.* Nairobi: USAID.

Vera-Mun˜oz, S. C. (2005). Corporate Governance Reforms: Redefined Expectations of Audit Committee Responsibilities and Effectiveness. *Journal of Business Ethics, Vol. 62, No. 2*, 115-127.

Verena Fritz, M. V. (2017). *Political Economy of Public Financial Management Reforms;Experiences and Implications for Dialogue and Operational Engagement.* World Bank Group.

Vienna. (2015). *The Budget Reform as a Transition to a New Budget World.* Johannesgasse : Austrian Federal Ministry of Finance, Department.

Wangui. (2014). *Determined the challenges encountered by the county governments in Kenya during budget preparation process.* Nairobi: University of Nairobi.

Watts, R. I., & Zimmerman, J. I. (1983). Agency Problems, Auditing, and the Theory of the Firm -Some Evidence. *Journal of Law & Economics.*, 26:613.

Wisna, N. (2015). Organizational Culture and its Impact on the Quality of Accounting Information Systems. *Journal of Theoretical and Applied Information Tech (82) 2*, 45-49.

World Bank. (2012). *Public Financial Management Implementation Status Results Report.* World Bank.

World Bank. (2014). *Promoting Opportunity, Growth, and Prosperity.* World Bank.

Yeboah, S. ,. (2015). *Public Sector Financial Management Reforms In Ghana.* University of Ghana.

Zikmund, W. (2013). *Business research methods (9th ed.).* South-Western.: Mason, OH.

APPENDICES

UNIVERSITY OF KABIANGA

ISO 9001:2015 CERTIFIED

OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: PHD/BSA/017/15 **Date: 15TH APRIL 2019**

Willy Kipngetich Rugutt,
Department of Accounting & Finance,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Mr. Rugutt,

RE: CORRECTED PROPOSAL

This is to acknowledge receipt of two copies of your corrected Proposal entitled **"Effects of Public Financial Management Reforms Strategy on Performance of Selected County Governments in Kenya".**

You are now free to commence your field work on condition that you obtain a research permit from NACOSTI.

Please note that, you are expected to publish at least two (2) papers in a peer reviewed journal before final examination (oral defence) of your Doctoral thesis.

Thank you.

Yours Sincerely,

15 APR 2019

Prof. J. K. Kibett
DIRECTOR, BOARD OF GRADUATE STUDIES.

cc 1. Dean, SBE
2. HOD, A & F
3. Supervisors

THIS IS TO CERTIFY THAT:
MR. WILLY KIPNGETICH RUGUTT
of UNIVERSITY OF KABIANGA,
2030-20200 Kericho,has been permitted
to conduct research in *Bomet , Kericho , Nakuru , Narok Counties*

on the topic: *EFFECTS OF PUBLIC FINANCIAL MANAGEMENT REFORMS STRATEGY ON PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA*

for the period ending:
6th May,2020

Permit No : NACOSTI/P/19/10244/29816
Date Of Issue : 6th May,2019
Fee Recieved :Ksh 2000

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS

1. The License is valid for the proposed research, location and specified period.
2. The License and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before commencement of the research.
4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer research materials.
6. NACOSTI may monitor and evaluate the licensed research project.
7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.

National Commission for Science, Technology and innovation
P.O. Box 30623 - 00100, Nairobi, Kenya
TEL: 020 400 7000, 0713 788787, 0735 404245
Email: dg@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke

REPUBLIC OF KENYA

National Commission for Science, Technology and Innovation

RESEARCH LICENSE

Serial No.A 24501

CONDITIONS: see back page

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/10244/29816**

Date: **6th May, 2019**

Willy Kipngetich Rugutt
University of Kabianga
P.O. Box 2030 - 20200
KERICHO.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effects of public financial management reforms strategy on performance of selected County Governments in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Bomet, Kericho, Nakuru and Narok Counties** for the period ending **6th May, 2020.**

You are advised to report to **the County Commissioners and the County Directors of Education, Selected Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Selected Counties.

The County Director of Education
Selected Counties.

National Commission for Science, Technology and Innovation is ISO9001: 2008 Certified

MINISTRY OF EDUCATION

STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION

Email:cdekerichocounty@gmail.com
When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

REF: KER/C/ED/GC/2/VOL.II/

7TH MAY,2019

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION.
WILLY KIPNGETICH RUGUTT.

The above student has been authorized by National Commission for Science, Technology and innovation to undertake research on ***"Effects of public financial management reforms strategy on performance of selected County Governments in Kenya"***, for the period ending **6th May, 2020**.

Kindly accord him the necessary assistance.

ZACHARY MUTUIRI
COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.

COUNTY GOVERNMENT OF KERICHO

INTERNAL MEMO

From: Joel K. Bett
County Secretary and Head of County Public Service

To: Anthony Koskey
Chief Officer, Executive Office of the Governor & Information, Communication, E- Government, Sports and Youth Affairs

CPA George Kirer
Chief Officer, Finance

Leah Chumba
Chief Officer, Economic Planning

Ref: KEC/CS/PSM/Vol. III

Date: 7th May, 2019

RE: REQUEST TO CONDUCT RESEARCH -WILLY KIPNGETICH RUGUTT

The above referenced person is requesting to conduct a research in your department as per the attached documents.

Kindly accord him the necessary assistance.

Joel K. Bett
COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE

Cc: Hon. Dr. Patrick Mutai
CEC, Finance and Economic Planning

Hon. Edna Ruto
Ag. CEC, Information, Communication, E- Government, Sports and Youth Affairs

OFFICE OF THE PRESIDENT

MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL GOVERNMENT

Telegrams: "DISTRICTER", Bomet
Telephone: (052) 22004/22077 Fax 052-22490
When replying please quote

COUNTY COMMISSIONER
P.O BOX 71- 20400
BOMET

REF: EDU 12/1 VOL.III/(125)

8th May, 2019

Willy Kipngetich Rugutt
University of Kabianga
P O Box 2030-20200
KERICHO

RE: RESEARCH AUTHORIZATION – WILLY KIPNGETICH RUGUTT

You are hereby authorized to carry out research in Bomet County on "**Effects of public financial management reforms strategy on performance of selected County Governments in Kenya**", by the National Commission for Science, Technology and Innovation vide their letter Ref. No. NACOSTI/P/19/10244/29816 dated 6th May, 2019 for the period ending 6th May, 2020. Kindly deposit a copy of the research at this office.

Any assistance accorded would be appreciated.

Nereah Kotonya
For: County Commissioner
BOMET

REPUBLIC OF KENYA
MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION

Telegrams: "ELIMU",
Telephone: 052-22265
When replying please quote
email:cdebometcounty@gmail.com
Ref/CDE/BMT/ED/AUTH/74/VOL.I/98

COUNTY EDUCATION OFFICE,
BOMET COUNTY,
P.O. BOX 3-20400,
BOMET.

8TH MAY, 2019

Willy Kipngetich Rugutt
University of Kabianga
P.O Box 2030-20200
KERICHO.

RE: RESEARCH AUTHORIZATION.

Reference is made to yours from NACOSTI Ref: No NACOSTI/P/19/10244/29816 dated 6th May, 2019 on the above subject.
Permission is hereby granted to carry out research on "***Effects of public financial management reforms strategy on performance of selected County Governments in Kenya"; for*** the period ending 6th May, 2020.

Ensure, you present a copy of the research to County Director of Education-Bomet

COUNTY DIRECTOR OF EDUCATION BOMET P.O. Box 3-20400, BOMET Date: 8-5-2019

PP

INDIATSI MABALE
COUNTY DIRECTOR OF EDUCATION
BOMET COUNTY.

CC
DIRECTOR NACOSTI

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF BOMET
OFFICE OF THE COUNTY SECRETARY

Telephone: 0202084068
Email: info@bomet.go.ke
When replying please quote Ref and Date:

P.O Box 19-20400
BOMET, KENYA

BC.8/1/1

10th May, 2019

Willy Kipngetich Rugutt
University of Kabianga
P O Box 2030-20200
KERICHO

RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH.

Reference is made to your letter dated 7th May, 2019 on the above subject matter.

Permission is hereby granted to carry out data collection for the research on "Effects of public financial management reforms strategy on performance of selected County Governments in Kenya" for a period between 13th May, 2019 and 17th May 2019.

Treat the information given with confidentiality and ensure you present a copy of the research to the County Government of Bomet.

Evalyne Rono (Mrs)
County Secretary and
Head of County Public Service

Copy: CECM Finance and Economic Planning
: CO Finance

REPUBLIC OF KENYA

MINISTRY OF EDUCATION

State Department of Early Learning and Basic Education

FAX NO. 050-22391
When replying please quote;

Ref. CDE/NRK/RES/VOL1/194

COUNTY DIRECTOR OF EDUCATION
NAROK COUNTY
P.O BOX 18
NAROK

DATE: 20TH JUNE, 2019

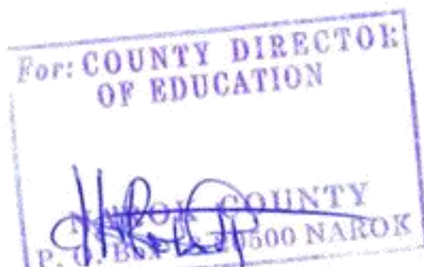
TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION – WILLY KIPNGETICH RUGUTT.

The above mentioned is a student of University of Kabianga.

He has been authorized to carry out research on ***"Effects of public financial management reforms strategy on performance of selected County Governments in Kenya' among them Narok County*** for the period ending ***6th May, 2020.***

Please accord him the necessary assistance.



ROBERT MOSETI
FOR: COUNTY DIRECTOR OF EDUCATION
NAROK

C.C

- The County Commissioner – **Narok**
- Willy Kipngetich Rugutt

THE PRESIDENCY
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegram: "DISTRICTER" Nakuru
Telephone: Nakuru 051-2212515
When replying please quote

COUNTY COMMISSIONER
NAKURU COUNTY
P.O. BOX 81
NAKURU.

Ref No. CC. SR . EDU/12/1/2 VOL.IV/90

9th May, 2019

All Deputy County Commissioners
NAKURU COUNTY

RE:- RESEARCH AUTHORIZATION – WILLY KIPNGETICH RUGUTT

The above named from University of Kabianga has been authorized to carry out research on "***effects of public financial management reforms strategy on performance***" in Nakuru County for the period ending 6th May 2020

Please accord him all the necessary support to facilitate the success of his research.

MARY W. MWANGI
FOR: COUNTY COMMISSIONER
NAKURU COUNTY

MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING OF BASIC EDUCATION

Telegrams: "**EDUCATION**",
Telephone: **051-2216917**
When replying please quote
Email:cdenakurucounty@gmail.com
Ref.CDE/NKU/GEN/4/1/21 VOL.VIX/68

COUNTY DIRECTOR OF EDUCATION
NAKURU COUNTY
P. O. BOX 259,
NAKURU.

13th May,2019

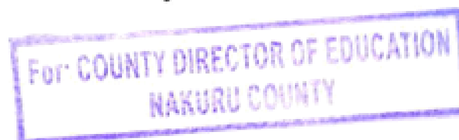
TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION – WILLY KIPNGETICH RUGUTT
PERMIT NO. NACOSTI/P/19/10244/29816

Reference is made to letter NACOSTI/P/**19/10244/29816**
Dated 6th May, 2019

Authority is hereby granted to the above named to carry out research in Nakuru county on ***"Effects of public financial management reforms strategy on performance of selected County Governments in Kenya"*** for a period ending ***3rd October, 2019***

Kindly accord him the necessary assistance.



JOYCE SANKOK
FOR: COUNTY DIRECTOR OF EDUCATION
NAKURU

Copy to:

- University of Kabianga
  P.O Box 2030 - 20200
  KERICHO

Appendix III: Request for Permission to Conduct Research

Willy Kipngetich Rugutt,
University of Kabianga,
P.O BOX 2030-20200,
KERICHO.

1st May 2019

The County Secretary,
Kericho County,
P.O BOX 112-20200,

KERICHO.

Dear Sir,

RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH

The above subject matter is herein referred.

I am a Ph.D. student from the University of Kabianga and currently conducting research on the topic "***Relationship between public financial management reforms strategy and the performance of selected County Governments in Kenya"***

Your reputable institution is among the four Counties for the study and in this regard, I kindly request your esteemed office to allow me to collect data as per the attached questionnaire. The data collection is scheduled to take place between 4th May 2019 and 11th August 2019. The information given will be treated with utmost confidentiality and will only be used for academic purposes.

I look forward to your favourable response and facilitation in this course. Thank you.

Yours faithfully,

Mr. Willy Kipngetich Rugutt
wikirug@gmail.com
0727363628

Appendix IV: Questionnaire for Research Participants

I am a Ph.D. student from the University of Kabianga and currently conducting research on the topic "***Relationship between Public Financial Management Reforms Strategy and the performance of selected County Governments in Kenya"***

I kindly request you to participate in this study by filling the questionnaire appropriately. I would appreciate your honest opinions and be assured that the information you give will be treated with utmost confidentiality and that your responses will be completely anonymous.

Thank you

Mr. Willy Kipngetich Rugutt

SECTION I: BACKGROUND INFORMATION

1. Indicate your gender

   Male [ ]   Female [ ]

2. What is your age bracket?

   21-30 years [ ]

   31-40 years [ ]

   41-50 years [ ]

   50 years and above [ ]

3. What is the level of your education?

   Diploma [ ]

   Bachelor's degree [ ]

   Master's degree [ ]

   Doctorate [ ]

4. Which department are you working with?

Accounting and Finance [ ]

Procurement [ ]

Audit [ ]

ICT [ ]

Other (Specify)……………………………………………

5. How many years have you been working in the current organization?

1-5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ] 21 years and above [ ]

SECTION II: LEGAL FRAMEWORK REFORMS

Please indicate the extent to which you agree or disagree with each of the following statements on a scale of 1 to 5 concerning the effects of legal framework reforms in the County (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree).

	Statement	**5**	**4**	**3**	**2**	**1**
6.	The laws governing public financial management in the County are anchored in the constitution					
7.	There is compliance to public financial management regulations in the County					
8.	There is implementation of Public Procurement and Asset Disposal Act 2015 in the County					
9.	There is public participation on budgeting process in the County					
10.	The constitutional laws governing public financial management affect the performance of County					
11.	The compliance to public financial management regulations affects the performance of County					
12.	Implementation of Public Procurement and Asset Disposal Act 2015 affects the performance of County					
13.	Public participation in the budgeting process in the County affects the performance					
14.	The legal framework reforms affect the performance of County					

SECTION III: BUDGETARY REFORMS

Please indicate the extent to which you agree or disagree with each of the following statements on a scale of 1 to 5 concerning the effects of budgetary reforms in the County (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree).

	Statement	**5**	**4**	**3**	**2**	**1**
15.	There is alignment of budgets with County Integrated Development Plans(CIDP) in the County					
16.	County formulates realistic/credible budgets					
17.	There is harmony between county executive and county assembly in budget preparation and approval					
18.	There is delay in disbursement of funds from the national treasury					
19.	The County makes budget reviews of the previous financial year allocations					
20.	Alignment of budgets with County Integrated Development Plans(CIDP) has affected the performance of County					
21.	Formulation of realistic/credible budgets affects the performance of the County					
22.	The harmony between county executive and county assembly has affected the budget implementation in the county					
23.	The delay in disbursement of funds from the National Treasury affects budget implementation in the County					
24.	Budget reviews of the previous financial year allocations have affected the performance of the County					
25.	The budgeting reforms affects the performance of County					

SECTION IV: INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS) REFORMS

Please indicate the extent to which you agree or disagree with each of the following statements on a scale of 1 to 5 concerning the effects of IFMIS reforms in the County (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree).

	Statement	**5**	**4**	**3**	**2**	**1**
26.	There is adoption of IFMIS in County public financial management operations					
27.	The County trains its staff on IFMIS use					
28.	There is integration of IFMIS with other public financial management systems in the County operations.					
29.	There is sufficient backup of IFMIS for security of data in the County					
30.	Adoption of IFMIS in County public financial management operations has affected the performance of the County					
31.	The training of county staff on IFMIS use in the County has affected the performance in the County					
32.	The performance of the County has been affected by the integration of IFMIS with other PFM systems in County operations					
33.	Sufficient backup of IFMIS affects the security of data in the County					
34.	The IFMIS reforms affect the performance of County					

SECTION V: FINANCIAL REPORTING REFORMS

Please indicate the extent to which you agree or disagree with each of the following statements on a scale of 1 to 5 concerning the effects of financial reporting reforms in the County (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree)

	Statement	**5**	**4**	**3**	**2**	**1**
35.	There is adoption of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting practices in the County					
36.	There is preparation of consolidated financial statements in the County					
37.	There is operationalization of Treasury Single Account in the County					
38.	There is generation of quality financial reports by the County					
39.	The adoption of International Public Sector Accounting Standards (IPSAS) affects the financial accounting and reporting practices in the County					
40.	Preparation of consolidated financial statements affects the performance of the County					
41.	Operationalization of Treasury Single Account affects the management of cash flow in the County					
42.	Generation of quality financial reports has affected the performance of the County					
43.	The financial reporting reforms affect the performance of County					

SECTION VI: AUDIT REFORMS

Please indicate the extent to which you agree or disagree with each of the following statements on a scale of 1 to 5 concerning the effects of audit reforms in the County (5= strongly agree, 4=agree, 3= neutral, 2=disagree, 1=strongly disagree).

	Statement	**5**	**4**	**3**	**2**	**1**
44.	Internal audit functions have been strengthened in the County					
45.	There is independence of internal audit function in the County					
46.	There is compliance of internal auditors to their professional standards and code of ethics					
47.	Audit committee has been established in the County					
48.	There is preparation of audit reports on a timely basis in the County					
49.	The execution of internal audit functions has affected the performance of the County					
50.	The performance of County has been affected by the independence of internal audit function					
51.	Compliance of internal auditors to their professional standards and code of ethics has affected the performance of the County					
52.	The establishment of audit committee has affected the performance of the County					
53.	Preparation of audit reports on a timely basis has affected the performance of the County					
54.	The audit reforms affect the performance of County					

SECTION VII: PERFORMANCE OF COUNTY GOVERNMENT

	Statement	**5**	**4**	**3**	**2**	**1**
55.	There is high number of completed projects in the County					
56.	Service delivery in the County has been effective					
57.	There is effective revenue mobilization in the County					
58.	There is the generation of timely statutory reports in the County.					

THANK YOU FOR YOUR PARTICIPATION IN THE STUDY

REFERENCES

MARGINS : 1.5 LEFT, REST 1 INCH

APPENDICES

TABLE 4.12 (APA STYLE)