# THE ROLE OF PUBLIC FINANCIAL MANAGEMENT PRACTICES ON SERVICE DELIVERY IN SELECTED COUNTIES: PERCEPTION OF MEMBERS OF COUNTY ASSEMBLY

**BY**

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## DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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## ABSTRACT

Public finance management practices and service delivery is the most effective benchmark on which to assess the performance of government. Understanding how public financial management relates to service delivery may go a long way in enhancing prudence and in the long run remedy the paradox of plenty in Africa. A decentralized system has been seen as the only possibility of bringing the desired outcomes in Kenya. The study sought to assess the role of public financial management practices on service delivery in selected counties in Kenya. The study sought to attain the following specific objectives: assess the influence of revenue mobilization practices, budgeting practices, auditing practices and regulatory practices on service delivery in selected counties in Kenya (Nairobi, Kiambu and Kajiado). The study was based on systems theory, new public management theory and allocative efficiency theory. Descriptive study design was applied in this study. The population targeted in this study was all the 248 MCAs in the three counties of Nairobi, Kiambu and Kajiado. This study was a census of the 248 MCAs since the population was small and accessible. Questionnaire method was utilized to collect data in this study. To ensure that the questionnaires were reliable and valid, a pilot study was conducted with 10 respondents from Machakos County. Drop and pick later method was applied to administer the questionnaire. The study applied descriptive statistics, correlation and regression analyses to analyze the data collected. SPSS was used to conduct the analysis. Results were presented in graphs and tables. The results indicated that budgeting and stakeholder participation practices and regulatory practices had a positive effect on service delivery in the counties. Results however revealed that revenue mobilization and spending practices and auditing and forensic accounting practices had an insignificant effect on service delivery in the three counties. The study made the following recommendations. First, county governments should prepare plans and budgets with high level of participation and ownership of the public. Secondly, spending above the budget estimates should be discouraged. Third, counties should adopt technology to enhance efficiency in revenue collection. Lastly, the counties should ensure that audit reports are acted upon. There should be regular public expenditure review meetings at which expenditures would be discussed widely by the county with donors, civil society organizations and citizens.

**Keywords**: Public financial management, budgeting, auditing, revenue, regulatory.

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God bless you all.

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# DEDICATION

This dissertation is dedicated to my dear son Gyan Wainaina.

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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| CRA | Commission on Revenue Allocation |
| MCA | Member of County Assembly |
| NPM | New Public Management |
| PFM | Public Financial Management |
| RoK | Republic of Kenya |
| SID | Society for International Development |
| SPSS | Statistical Package for the Social Sciences |
| VAT | Value Added Tax |
| VFM | Value for Money |

## OPERATIONAL DEFINITION OF TERMS

**Auditing practices –** systematic and independent examination of data, statements, records, operations and performances, financial or otherwise of the county governments (Athmay, 2008).

**Budgeting practices –** practices that specify the ways and means by which the public funds are allocated to the different activities in the county government (Akpa, 2008).

**Financial Management –** planning, organizing, directing and controlling the financial activities of an organization. It means the activity concerned with the planning, raising, controlling and administering of funds used in the county government (Bartle & Ma, 2004).

**Regulatory practices –** all legal stipulations, whether undertaken by the government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through laws, norms, power or language (Ahmad, 2013).

**Revenue mobilization –** collection of taxes and other fees by the county government from businesses and individuals (Bird, 2010).

**Service Delivery –** These are social and other services provided by the state or by other authorities on behalf of the state to the public (Andersen & Isaksen, 2013).

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Management of resources at an individual or entity level should lead to visible results in the form of either tangible goods or services (Sirmon, Hitt & Ireland, 2007). For government agencies, this becomes evident in service delivery whose impact manifests in improvement in the economic development, general standard of living, poverty reduction, mitigation of inequalities in income distribution, and improvement in the general well-being of its citizens (Kusumasari, Alam & Siddiqui, 2010).

There have been continuous efforts by global stakeholders aimed at formulating and adopting strategies and practices to sustainably address issues of poor resource management and their consequences (Agranoff & McGuire, 2010). In Africa these approaches include professionalization of public services, democratic governance and adoption of decentralized governments (Dethier & de Janvry, 2012).

The need for prudent management of funds if development objectives are to be achieved is emphasized in many circles (Ahmad, 2013). In discussing the importance of funds management in national and global agendas and practice, Andjun (2010) argues that efficient public finance management is an integral component of economic growth and has the ability to reduce poverty in a sustainable manner. Andjun further argues that effective public administration systems are necessary so that increased financial resources can be turned into concrete welfare services and measures that promote growth.

Ahmad (2013) discusses the processes related to efficient management of funds and describes public financial management as consisting of five key sub-sectors identified as budgeting, financial reporting, auditing, regulatory framework and revenue collection. Commenting on the works of Ahmad, Andersen and Isaksen (2013) identify governance as a sixth sub-sector of public financial management. Further, Agranoff and McGuire (2010) confirm that all the identified sub-sectors of public financial management are important in a development context and must be improved in order for government to implement its development objectives. It is further stated that, these six sub-sectors exist as a system of related components and that reform or development of one sub-sector is dependent on and conditioned on the state of the other components if development objectives are to be met.

Several authors globally (Ahmad, 2005; Andersen and Isaksen, 2003; Broback & Sjolander, 2001; Ojo, 2009; Simson, Sharma, & Aziz, 2011) based on the systems approach note that although there is no succinct definition of PFM there are six key core components which emerge. The six components are planning and budgeting, revenue mobilization, public expenditure and payments, financial reporting, auditing and regulations. Broback and Sjolander (2001) argue that these PFM components are interrelated and exist as a system. Anderson and Isaksen (2003) assert that all the identified components are important in a development context and must continuously be improved in order for government to implement its development objectives. Simson et al. (2011) further note that improvement of one component is dependent on and conditioned on the state of other components if development objectives are to be met.

The need for prudent public funds management for development objectives to be achieved is emphasized in many circles. For example, while underlining the importance of favourable environment for undertaking productive economic activities as necessary for development in Nigeria, Ojo (2009) emphasizes the need for developing countries to ensure efficient management of funds. Further, Jordaan (2013) observes that understanding public funds management is imperative as it forms an integral element in national development and growth which is central to the existence of functional governments.

Similarly, Hamid (2013) based on the tenets of New Public Management (NPM) notes that efficient resource management is essential in accelerating the pace of economic growth and development, as well as improving the general wellbeing of the society. NPM framework was developed in response to inadequacies of the traditional paradigm of public administration and advocates for entrenching of private sector management best practices into public sector to enhance service delivery (Goldfinch & Roberts, 2013). Accordingly NPM has led to integration of private sector financial management practices, such as double entry recording, accrual accounting, measuring and comparison of outputs as well as value for money audits, into the public administration (Van Dooren, Bouckaert, & Halligan, 2015).

In Kenya, public finance management in county and national levels is governed by the Public Financial Management (PFM) Act 2012 (Republic of Kenya, 2012). This Act details all the policies, procedures and practices that counties and national government need to adhere to when managing public funds. The objectives of the statutes governing public financial management are to promote democratic and accountable exercise of power when it comes to collection and use of public finances. This provides a basis for the communities to manage their own affairs and to further their development. The laws governing financial management therefore envisages effective management of public resources to enhance service delivery at the county level.

Service delivery involves the actual production or provision of goods and services to the community. This needs to be conducted in accordance with plans and within the allocated budgetary funds (Entwistle & Martin, 2005). According to Mitchinson (2003), public service is undergoing transformations of which a key element has been the reconsidering of public service delivery. This is mostly motivated by economic pressures and by increasing expectations from citizens that have been enabled by the renewed sense of managerial possibility, which has emerged internationally.

There are two perspectives to the ongoing pursuit of quality service delivery. First, from the perspective of the service organization, there is a desire to survive and compete in a global environment. Secondly, from the perspective of the citizen, there is a desire for better quality services. Whereas service quality has achieved considerable popularity across the private sector, the public sector has been slower to take up the concept (Denhardt and Denhardt, 2002; Entwistle and Martin, 2005). However, with the combined pressure of growing customer expectations, an increased focus on revenue and growing competition between public and private sector organizations who offer identical services, service quality is now fast moving to the forefront of public sector management in several countries. Public-sector organizations operate in an environment characterized by political imperatives, resource constraints, market competition, and growing citizen expectations (Robinson, 2003).

### *1.1.1 County Governments in Kenya*

The Constitution of Kenya (2010) was passed and with its promulgation established a new form of government. This new devolved form of government replaced the former centralized form of government. The decentralized form of government in Kenya established 47 county governments and a national government. This was intended to bring services and financial management closer to the people. The roles of all stakeholders (including citizens) are outlined in the various statutes, among them the PFM Act (2012).

Chapter 11 of the constitution of Kenya (2010) establishes the devolved form of government. The constitution hence establishes the 47 counties and outlines the powers from the national government to the regional governments in the 47 counties. There have been several structures established to enable governance in the counties. These include the senate, office of the governor, county public service board, the county executive committee, and women representatives and the county assembly. The county assemble is given the mandate to directly oversee and pass budgets and ensure that the PFM Act 2012 is implemented in their respective counties. Citizens, civil society, religious organizations, trade unions and social and business associations need to understand the role of the various structures since they are expected to play an oversight role.

Chapter 12 of the Constitution of Kenya provides a framework for public finance management in six parts. Part I presents the principles and framework of public finance in Kenya. Principles that are envisaged to guide PFM include accountability, openness and public participation in matters involving public finance. Others include equitable sharing of revenue, expenditure that promotes equitable development, prudence and responsibility in PFM. Part 2 deals with other funds, where they are deposited and how they can be withdrawn. Part 3 deals with revenue raising powers of both the national and county government and also indicates the purpose, levels and uses public debt (Republic of Kenya, 2010).

Part 4 provides the procedures of revenue allocation, determines the responsibilities of CRA and provides the principles and practices to be followed in revenue allocation. Part 5 relates to budgets and spending. This part presents what shall be contained in budgets of county and national governments, how the budgets should be prepared, and the timelines to be observed. Part 6 provides laws relating to control of public finance. These includes responsibilities of the national treasury, laws relating to transfer of funds, the financial institutions and officers involved in transfer and control of public finance. This part provides the role and responsibilities of the Controller of Budget and also the Auditor General (Republic of Kenya, 2010).

The PFM Act 2012 has eight parts which provides the responsibilities of the various entities in the national and county government levels. The responsibilities of the county government in management and control of public finance is provided in Part 4. The role of county treasury, County Revenue Fund and county executive is provided. Moreover, Part 4 presents the budget process to be followed by the county government, collectors and receivers of revenue in county governments and financial reporting by county governments. Moreover, the oversight role of the County Assembly and Internal audit is presented in the PFM Act 2012.

## 1.2 Statement of the Problem

The promulgation of the Kenya's new constitution (2010) paved the way for fiscal decentralization and management of public finances to the devolved units (counties). This necessitated massive reforms in public financial management both at the national and county levels. On July 23rd 2012, the PFM Act 2012 was signed into law. Its enactment was meant to streamline public funds management at the national as well as county level (SID, 2012).

The necessity for reorganizations in management of public finance in Kenya emanated from the previous challenges encountered and gaps recognized that led to misappropriation of public resources (SID, 2012). However, the reforms seem not to have resulted to the envisaged benefits. An expenditure analysis contained in a report by the Controller of budget (2014) indicates that for the period July – December, 2013 counties spent 88.4% of their allocations on recurrent expenditure. This is against 70% stipulation. Similarly, there have been disquiets over embezzlement of funds by the counties pointed out by the Auditor General in the Financial Year 2014-2015 (RoK, 2015). Furthermore, most citizens are dissatisfied by performance of their counties and the provision of services by the counties (Republic of Kenya, 2014; TI, 2015).

Various empirical studies on finance management in devolved governments have been conducted. He (2011), on a study in China revealed that China's participatory budgeting has improved efficiency in service delivery and good prioritization of what the citizens want.

Pimhidzai and Fox (2011) in a study in Uganda noted that various revenue collection mechanisms are characterized by high levels of arbitrariness, coercion and corruption which adversely affects service delivery. In Nigeria, Enofe et al. (2013) established that internal audit plays key role in ensuring effective management in public sector. In Zimbabwe, Zhou (2012) revealed that most of the institutions that had the mandate of regulating central and other devolved units of governments were poorly structured and had resource constraints.

The devolved form of government in Kenya was new and the effect of public finance management practices on efficiency of the county governments and their ability to deliver services had not been extensively studied. It was therefore vital to empirically test public finance management in the counties to establish whether they were having a significant role in influencing service delivery. This was expected to inform policy and practice in fiscal management in counties.

## 1.3 Objectives of the Study

### *1.3.1 General Objective*

The main objective of the study was to assess the public financial management practices and their effect on service delivery in selected counties in Kenya.

### *1.3.2 Specific Objectives*

The study sought to achieve the following specific objectives;

i. To assess the influence of revenue mobilization practices on service delivery in selected counties in Kenya.

ii. To determine the influence of the budgeting practices on service delivery in selected counties in Kenya.

iii. To determine the influence of auditing practices on service delivery in selected counties in Kenya.

iv. To assess how regulatory framework influence service delivery in selected counties in Kenya.

v. To establish the moderating role of budgetary allocation on the relationship between financial management practices and service delivery

## 1.4 Research Questions

The study sought to answer the following questions:

i. What is the influence of revenue mobilization practices on service delivery in selected counties in Kenya?

ii. What is the influence of the budgeting practices on service delivery in selected counties in Kenya?

iii. What is the effect of auditing practices on service delivery in selected counties in Kenya?

iv. What is the effect of regulatory framework on service delivery in selected counties in Kenya?

v. What is the moderating role of budgetary allocation on the relationship between financial management practices and service delivery?

## 1.5 Significance of the Study

Given the large amounts of resources expended to devolved governments in Kenya in trying to solve the public sector service delivery challenge to the local communities, there is a need for documented evidence on the nature of outcomes obtained from devolved efforts and resources. As devolved authorities, counties are the highest political and administrative authorities in the decentralized system of Kenya. However the counties have been almost always confronted with various problems in the management of their funds. It is anticipated that the findings and recommendations obtained from the study will, among others, provide information and guidance in effective management of their public funds.

The current study will provide findings that will be valuable for theory and practice. The results will be of significance to county governments in the three selected counties, Government of Kenya, other counties in Kenya, civil society, international organizations and the citizenry. The study will also prove to be of value to other states in Africa and beyond that are applying the decentralized form of government.

### *1.5.1 County Governments*

Further, the counties can learn from experiences of Nairobi, Kiambu and Kajiado counties and improve on their practices so that they can deliver services efficiently to the public. The counties will find value in the study findings as they will inform them on the strong as well as weak areas in public financial management. This will inform their reforms and practices in future.

### *1.5.2 National Government*

To the national government, the study findings would inform policy making organs such as commission of revenue allocation (CRA) and devolution ministry on what needs to be done in regard to public financial management in the counties.

### *1.5.3 Civil society and international organizations*

The study findings would also be of significance to international organizations and civil society who are stakeholders in the decentralized government in Kenya. They will be able to establish the state of public financial management in the counties and hence establish the areas that need improvement. This informs their activities and advocacy.

### *1.5.4 Citizens*

The citizens of the three counties and also other counties in Kenya would find value in the study findings. The findings established how participatory the public financial management practices were and hence pointed out areas that citizens may be involved in enhancing public financial management. This would inform the participation of citizens in public financial management in the counties and hence increase transparency in the process.

## 1.6 Scope of the Study

The study assessed the financial management practices and service delivery in selected counties in Kenya. However, though there were six sub-components of public financial management that had been indicated in previous studies, the study only focused on four components. These included revenue mobilization practices, budgeting practices, auditing practices and governance practices. The study focused on Nairobi, Kiambu and Kajiado counties. These three counties were selected as they depicted urban, suburban and rural counties. The findings hence were depicted to be generalizable to all counties in Kenya.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter presents the literature which includes theoretical, conceptual and empirical literature. Theoretical review includes the theories that were used to guide the study while the conceptual literature provides the concepts that were included in the study and the expected relationship. Empirical literature provides information on studies that had been conducted.

## 2.2 Theoretical Orientation

Theories that were applied to guide the study are included in this section. The theories that were used as the basis of the study are systems theory, New Public Management theory and allocative efficiency theory.

### *2.2.1 Systems Theory*

This theory was applied in this study to indicate how the PFM practices of budgeting and accounting, auditing and regulatory framework work as a system to ensure that public finances are efficiently utilized to provide services to the people. The systems theory was devised by Easton (1965). Easton broadly posits that the systems theory focuses on a set of patterned relations involving frequent interactions, and a substantial degree of interdependence among members of a system. Systems theory is grounded on the notion that intents or foundations within a group are related to one another and in turn interact with one another on the basis of certain recognizable processes.

Broback and Sjolander (2002) describe public financial management as consisting of key sub-components identified as revenue collection, planning and budgeting, accounting, auditing and governance. Anderson and Isaksen (2013) further state that sub-components exist as a system of related constituents and that reform or development of one sub-component is dependent and conditioned on the state of the other components if development objectives are to be met. All the identified sub-components of public financial management are important in a development context and must be improved in order for government to implement its development and service delivery objectives. This therefore was used in this study to explain how the four selected public financial management practices can influence each other and in turn influence service delivery.

### *2.2.2 New Public Management Theory*

This theory was applied in this study to link effective practices of revenue collection, allocation and oversight in the effective delivery of services in the public sector. The new public management (NPM) theory focuses specifically on issues of making governments efficient (Kaboolian, 1998). Savoie (2003) notes that the theory recommends changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. Additionally, Osborne (2006) indicates that the NPM theory asserts the superiority of private managerial techniques over those of public administration and has the assumption that the adoption of private sector practices would lead to improvements in the efficiency and effectiveness of public services. In effect, NPM theory relies heavily on the theory of the private sector and on business philosophy (Osborne, 2006).

The assumptions of NPM easily apply to issues of public financial management and its influence on service delivery. NPM perspectives emphasize compliance with ethics, transparency, equality, fairness, responsibility, accountability, prudence, participation, responsiveness to the necessities of the people and efficiency in the administration of public resources. Public financial management is the coordination of public financial resources for efficiency in public service delivery. It involves revenue collection, planning and budgeting, internal controls, audit and external oversight, among others with a view to promoting availability of benefits to the greatest number of citizens (Broback & Sjolander, 2002).

Bartle and Ma (2004) posit that PFM involves effectively organizing, directing and managing financial transactions in the public sector. There is therefore a need for effective management and institutional designs, both of which are aimed at making the public sector more efficient like the private sector. This is expected to invigorate performance and decrease corruption. Other assumptions include citizen-centred services, value for tax payers' money, and a responsive public service work force. Osborne (2006) describes some other elements of NPM which have strong relevance to public financial management. NPM theory was applied in this study to link best practices in budgeting, revenue collection, auditing and governance to public service delivery.

### *2.2.3 Allocative Efficiency Theory*

Allocative efficiency theory was applied in the study to link budgeting practice to service delivery in the devolved county units. The allocative efficiency theory was devised by Farrell (1957). Also referred to as social efficiency, allocative efficiency depicts how scarce resources could be efficiently allocated to priority areas to meet people's needs optimally. It is a declaration around the ethically ideal use of funds, where there is unquestionably a just atmosphere to the model, as it is deliberated to be decent and communally accountable to use public resources to meet the needs of the electorate.

In the current study, this theory was applied to establish how financial management practices of revenue collection, budgeting, auditing and governance can be effectively applied to enhance allocative efficiency. For allocative efficiency to be present, resources must be set aside for the needs and projects that people want. This is regardless of the economic value or correctness of their priorities.

## 2.3 Empirical Review

This section provides a review of empirical studies that had been conducted in the field of financial management practices in government and public service delivery. Literature in this section is presented in relation to research objectives. The gaps established in the past studies are also provided with a summary of the gaps being presented at the end of this section.

### *2.3.1 Revenue Mobilization Practices and Service Delivery*

Revenue mobilization is classified as one of the sub-systems of public funds management, and which has a link to service delivery in decentralized government units. Akpa (2008) observed that revenue is a necessary tool for the effective functioning of any government machinery and no government agency can survive without adequate revenue. Revenue for government is collected through taxation and other fees. Thies (2010) and Salami (2011) posit that taxation is the primary mechanism of revenue mobilization for government.

According to Bird (2010), sound revenue mobilization practices for government units are an essential pre-condition for the success of public service delivery. This is because, apart from raising revenues, local revenue mobilization has the potential to foster political and administrative accountability by empowering communities (Oates, 2011). According to Baumann (2013) successful decentralization needs to give scope and resources for the contribution to development by all actors.  In many countries, the decentralized governments act as a tier of government requiring adequate finances to enable them cope with numerous developmental activities within their jurisdiction. Nevertheless, many of them are coupled with dwindling revenue generation, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability (Oyugi, 2010).

In general, there are two main categories of current revenue for decentralized government units in Africa. One of these is own revenue or internally generated revenue which includes taxes, user fees, and various licences (Bahl & Bird, 2014). Decentralized governments are not completely dependent on central government and do themselves have some revenue-raising powers. Such local taxation is limited, however, with the lucrative tax fields (for example, income tax, sales tax, import and export duties) all belonging to the centre, while local government has is access only to low yielding taxes such as basic rates and market tolls.

Many local tax systems in Anglophone Africa are characterized by high levels of arbitrariness, coercion and corruption (Pimhidzai & Fox, 2011). Local governments seem to raise whatever taxes, fees, and charges they can, often without worrying excessively about the economic distortions and distribution effects that these instruments may create.

In a study of small and medium sized enterprises in Zambia, Misch, Koh and Paustian (2011) found that the effective tax burden varies substantially between firms. Enterprises face a range of different taxes, fees and licences, and the types of taxes that firms are subject to differ – not only between sectors, but also between firms within the same sector. The type of fees and levies differs substantially, even among businesses in the same municipality. In addition, the levels and types of local revenue instruments by themselves can result in the tax burden falling more on the poor than on the relatively better-off in local communities.

A study from Uganda shows that small, informal non-farm enterprises pay local taxes in a regressive way (Pimhidzai & Fox, 2011). While the majority of the micro enterprises in the Ugandan sample were poor enough to be exempted from national business taxes including the small business tax and Value Added Tax (VAT), they ended up paying a large share of their profits to local authorities – with the poorest paying the highest share of profits. This is mainly due to the basic design of the local revenue system and the way revenues are collected. Thus, a top-down drive towards more taxation of this sector could be counterproductive, and would increase the vulnerability of these informal enterprises.

A study by Fjeldstad and Heggstad (2011) on the tax systems in Mozambique, Tanzania and Zambia finds that local taxation is still a major constraint on the commercialization of smallholder agriculture and formalization of small and micro enterprises. Specifically, multiple taxes (including fees and charges) make it difficult to enter new businesses and markets. Similarly Misch *et al*. (2011) also found that levies were perceived as exorbitant, often charged up-front irrespective of the size and type of business. New local taxes, fees and charges have been introduced, replacing taxes abolished by the government in recent years. This contributes to undermining the legitimacy of the local tax system, encourages tax evasion and delays the formalization of micro and small-scale enterprises.

Furthermore, it undermines initiatives encouraging compliance such as community outreach and taxpayer education. Lessmann and Markwardt (2010) notes that revenue collection in Africa is dogged with corruption and inefficiency thus jeopardizing delivery of services to the community. They noted that local politicians always turn out to be more corrupt than national politicians or find themselves in more corrupt situations and thus poor service delivery results. Nevertheless, surveys in both Tanzania and Uganda indicate that citizens have a general appreciation of the need for taxation to support local service provision, but choose non-compliance due to lack of confidence in local government (Fjeldstad et al., 2013).

The devolution of revenue mobilization and spending powers to lower levels of government in turn has had its share of challenges (Odd-Helge & Kari, 2012). Ola and Tonwe

(2010) suggest that lack of finance remains a major challenge to the success of devolution in many African countries. Many of the devolved units are faced by the challenges of mobilizing appropriate levels of revenue to enable effective service provision and address poverty and inequality issues at the local level (Latema, 2013). Fosu and Ashiagbor (2012) posit that many of the devolved units are financially weak and rely on financial transfers and assistance from the central government. If the local governments were to be able to enhance their revenue collection, a lot of revenue would be generated for undertaking development projects.

### *2.3.3 Budgeting Practices and Service Delivery*

Budgeting allows resources to be released to the spending agencies to enable them implement their expenditure programmes (Lee, 2012). The study by He (2011) and Ma (2007) established that behind China's participatory budgeting are three distinctive logics based on administration, political reform and citizen empowerment. Each of the three logics denotes different conceptualizations and understandings of participatory budgeting constituting different frameworks in which participatory budgeting programmes and activities operated. Application of participatory budgeting in China played a bigger role in creating a good working relationship between the provincial governments and the people. This was followed by improved efficiency in service delivery and good prioritization of what the citizens wanted.

Nayak and Samanta (2014) conducted a study in rural West Bengal, India which had the purpose of understanding the role of community participation in budgeting on public service delivery. The study noted that in India, like many other developing countries, governments (central, state, and local) spend a sizeable portion of their budget toward creating public utilities and providing host of public services. However, such services often fail with respect to their access, productivity, and equity. Earlier, Chattopadhyay et al. (2010) had revealed that resources in India are available, but ironically, there is dearth of ability and willingness to plan and utilize them optimally. At times, resources are diverted to meet less important needs or there are conspicuous leakages leading to difficulties of using them productively. There are two interconnected deficiencies that may have been causing failure of public service delivery in India lack of need-based planning and lack of monitoring over resources.

Nayak and Samanta (2014) conducted a study based on the primary household level survey conducted in the district of East Midnapore in the state of West Bengal, India. The study established that there is existence of direct relationship between participation in budgeting and delivery of public services. More political affiliation by locals was seen to have a more powerful impact on the citizens' likelihood of participating in budgets and hence contributing to better service delivery (Chattopadhyay *et al*., 2010).

In South Africa, Tshandua and Kariuki (2010) studied the public administration and service delivery reforms in the country. The study established that the government of South Africa set out to create a public service echelon of multi-skilled community development workers (CDWs) to maintain direct contact with the people where the masses live. This was with a view to eliminate distance as a barrier to accessing services and simultaneously improve the quality of outcomes of public budgeting intended to raise people's standard of living.

### *2.3.3 Auditing Practices and Service Delivery*

McKenna (2011) posits that auditing could be defined as a systematic and independent examination of data, statements, records, operations and performances, financial or otherwise of an enterprise for a stated purpose. Auditing has the role to ensure that public funds are not subject to fraud, waste and abuse or subject to error in reporting.

Morin (2011) conducted a study aimed to examine to what extent Auditor General of Quebec had been achieving this objective of improving service delivery through the Value for Money (VFM) audits conducted in the Canadian province of Quebec from 1995 to 2002. The findings of the study revealed that VFM audits were helpful in the agencies and organizations audited. The management of the organization and the service delivery by the organizations were reported to have improved due to VFM audits. The factorial analysis brought to light two major lines along which auditees saw such audits as helpful. The first is that of moving auditees into action and the second is that of drawing authorities' attention to specific problems.

A study in Brunei by Athmay (2008) sought to establish the role of performance auditing and public sector management in Darussalam. The study established that the era of NPM has brought some significant changes in the meaning of public sector accountability. The study revealed that performance auditing is not better established in Brunei. The form of auditing that is prevalent in Brunei is the traditional regularity and financial audits which focus on compliance with laid down procedures. This form of auditing did not have any effect on service delivery since it did not focus on outcomes and just focused on conformance with laid down rules and regulations.

In Edo state Nigeria, internal audit is an effective management control in public sector. Effective management and improved service delivery by local government agencies in the state was achieved through the role played by internal audit. This study was conducted by Enofe et al. (2013). The study concluded that internal audit plays key role in ensuring effective management in public sector. However, the study established the need for today's auditors to acquire the requisite technique and skills in computer operations and electronic data processing in order to carry out their work effectively to continually support internal audit effectiveness.

Khan and Chowdhury (2012) studied the role played by public accountability and corruption control in public administration. The results of this survey indicate that impacts of audit on corruption control and service delivery differ under differing governance environment. Further results pointed out that free countries not only enhance the capacity of audit institutions and create positive impacts on both corruption control and improvement of service delivery, but improved political rights and civil liberties attributable to quality democracies, equally create necessary internal socio-political dynamic to attach higher priority to the issues of public accountability including audit in every country.

#### *2.3.4 Regulatory Framework and Public Service Delivery*

Prakash (2015) investigated the influence of regulatory framework and policy in steering healthcare service delivery. The purpose of this study was to explore regulation in the devolved India's healthcare sector and make recommendations needed for enhancing the healthcare services. The study established that statutory regulation and governance standards are formulated by the national parliament and state legislatures and implemented through various ministries, departments, statutory bodies and government administrative machinery, which have their own political economy and are influenced by international bodies and political, economic and social factors. Additionally, the study determined that interest groups, such as the media, community groups, general public and civil society organizations help bridge the gap between the government and citizens by providing an interface for collective action (Carney, 2011).

Another study on the effect of regulations on public service delivery was conducted in Wales' local governments by Andrews et al. (2008). The study revealed that inspection had no effect on public service performance. This was interpreted to mean that inspection services were carried out in local authorities or within services that were performing poorly. Alternatively, it is possible that formal inspection is the least effective tool available to public sector regulators attempting to elicit positive changes in public service delivery. Findings further revealed that regulatory authorities also played an advisory role by seeking to promote good practice and supporting the home-grown improvement strategies of local authority service providers.

In Zimbabwe, Zhou (2012) conducted a study that was aimed at establishing the role of legal and institutional framework in improving efficiency of public financial management. The study established that though Zimbabwe has extensive legal and institutional framework, the major factor is not the existence but compliance with the various regulations. The study also revealed that most of the institutions that had the mandate of regulating central and other devolved units of governments were poorly structured and had resource constraints. This made most of the institutions useless in enhancing service provision to the people.

## 2.4 Research Gaps

The studies reviewed had revealed various gaps that the current study aimed at bridging. The first gap was that there was a dearth of empirical studies on public finance management and service delivery in sub-Saharan Africa in general and in Kenya counties in particular. Most of the studies on the subject had been conducted in far off regions such as China (He, 2011; Ma, 2007), India (Nayak & Samanta, 2014; Chattopadhyay et al., 2010), Canada (Morin, 2011) and Wales (Andrews et al., 2008). Those studies done in the region included Misch et al. (2011) in Zambia, Pimhidzai and Fox (2011) in Uganda, Fjeldstad and Heggstad (2011) in Mozambique, Tanzania and Zambia and Enofe et al. (2013) in Nigeria. These studies had been carried out in contexts that were different from the Kenyan context hence making these studies' findings not to be generalizable to counties in Kenya. This therefore warranted the current study.

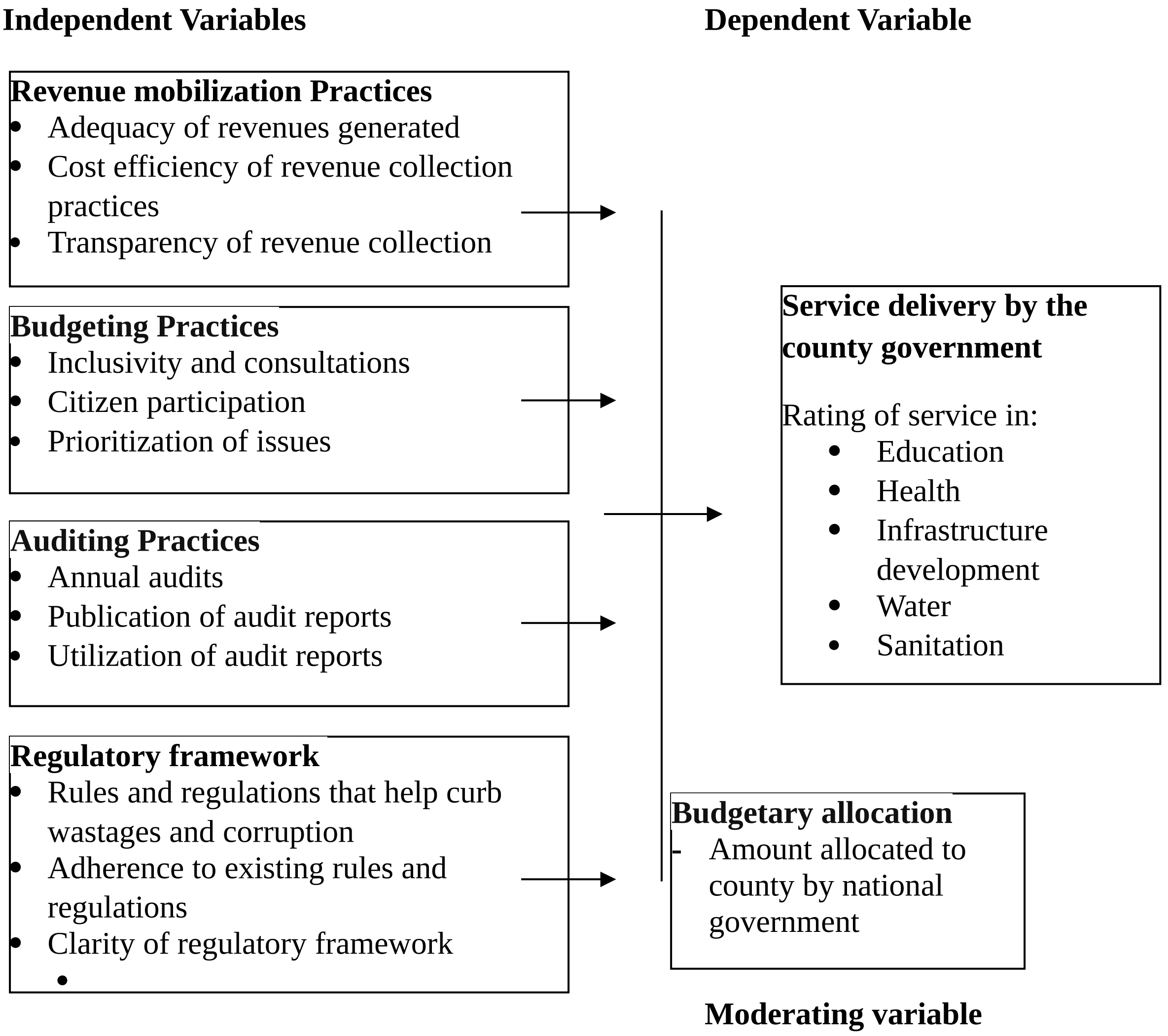
The other research gap noted was that various practices adopted in various countries had mixed results. For instance, Morin (2011) in a study on the effect of auditing on service delivery in the Canadian province of Quebec observed that the management of the organization and the service delivery by the organizations were reported to have improved due to VFM audits. However, a study in Brunei by Athmay (2008) established that auditing did not have any effect on service delivery since it did not focus on outcomes and just focused on conformance with laid down rules and regulations. This indicates that borrowing a best practice from a certain country do not guarantee success when it is applied in another country. There was therefore need to study the financial management practices applied in the counties in Kenya and hence devise on how best to improve them with an emphasis on the conditions and context of the county.

## 2.5 Conceptual Framework

Public financial management practices are depicted to have an effect on service delivery. The relationship expected is indicated in Figure 1. This indicates that financial management practices adopted in the counties can have an effect on service delivery by the county government to the citizens. The four financial management practices included in the study; revenue mobilization practices, budgeting practices, auditing practices and governance practices were presumed to have an influence on public service delivery. Effective practices on these factors were expected to have a positive effect on service delivery while poor practices were expected to have a negative influence on service delivery.

**FIGURE 1**

**Conceptual Framework**




***Source: Author (2016)***

## 2.6 Operationalization of Variables

The measures that were applied for each variable are indicated in this section. Table 1 presents the measures of the variables and the parts of the questionnaires that related to the variables.

**TABLE 1**

**Operationalization Framework**

| Variable | Measures | Questions |
|---|---|---|
| Revenue mobilization | • Adequacy of revenues generated<br>• Cost efficiency of revenue collection practices<br>• Satisfaction with revenue collection practices<br>• Conflicts between national and county governments in revenue collection<br>• Timely receipt of allocations from national government<br>• Adequate local revenue sources | SECTION C |
| Budgeting Practices | • Inclusivity and consultations<br>• Citizen participation<br>• Adequacy of resource allocation<br>• Realistic and practicality of budget<br>• Budgets adherence in spending<br>• Value for money concern | SECTION B |
| Auditing Practices | • Annual audits<br>• Publication of audit reports<br>• Utilization of audit reports<br>• Application of lessons learnt<br>• Punishment for misappropriation of funds<br>• Value for money audits<br>• Internal auditing<br>• Competence of internal auditors | SECTION D |
| Regulatory framework | • Rules and regulations that help curb wastages and corruption<br>• Existing rules and regulations<br>• Clarity of regulatory framework<br>• Transparency in financial reporting<br>• Suggestions form oversight bodies | SECTION E |
| Service delivery by the county government | • Education<br>• Health<br>• Infrastructure development<br>• Water<br>• Sanitation<br>• Garbage Collection<br>• Agriculture extension services | SECTION A, QUESTION 6 |
| Budgetary allocation | • Amount allocated to county by county government | SECTION A, QUESTION 7 |

***Source: Author (2016)***

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter presents the methodology that was used to conduct the current study. Presented herein is the research design, the study location and the population of target in the study. Also presented in this chapter are the sampling methods that were applied and the sample that was included in the study. Further, the chapter presents the procedure for data collection, instruments that were used to collect data and the methods that were used to analyze the data. The ethical considerations that were applicable in this study are also presented at the chapter end.

## 3.2 Research Design

Descriptive study design was applied in this study. Creswell (2009) cites that a descriptive study provides for an in-depth analysis of a single or a few items which gives the study more information and detail about the study subjects. Thomas (2011) on the other hand observes that descriptive design in social studies is important as it provides a detailed analysis of what is happening which can provide important information for decision making.

A descriptive study is depicted as a detailed analysis of an entity, event or system that is studied singly or as a group to provide detailed information about them. The researcher in a descriptive study is an outsider who only reports things as they are without affecting them in any way. The MCAs in the three selected counties were the focus of the study and were expected to provide a description of PFM practices and service delivery in the counties. This design was successfully applied in previous studies by Mitchinson (2003), Athmay (2008) and Ahmad et al. (2013).

### 3.3 Target Population

The population targeted in this study was all the MCAs in the three counties of Nairobi, Kiambu and Kajiado. The three counties were selected to represent the urban, suburban and rural counties of Kenya. This made the findings representative of the different counties in Kenya. MCAs were selected since they were the people's representatives and were expected to be conversant with PFM practices at the county level. The total MCAs in the three counties was 248 which included both the elected and nominated MCAs. The study population was divided into three groups as indicated in Table 2.

**TABLE 2**

**Study Population**

| County | Frequency | Percent |
|---|---|---|
| Nairobi | 128 | 51 |
| Kiambu | 79 | 32 |
| Kajiado | 41 | 17 |
| **Total** | **248** | 100 |

***Source: County Governments of Nairobi, Kiambu and Kajiado (2016)***

### 3.4 Sampling Procedures and Sample Size

The study did not conduct any sampling due to the manageability and the size of the population of study. Mugenda and Mugenda (2003) observe that there is no need of sampling when the population is small and easily accessible. This study was hence a census of the 248 MCAs.

### 3.5 Research Instruments

Questionnaire method was utilized to collect data in this study. A questionnaire is a form with questions that a respondent is required to respond to. Gillham (2008) observes that use of questionnaire brings several advantages including efficiency, standardized responses and ease of analysis of the data therein. The questionnaire was designed after a critical theoretical and empirical review of data in relation to financial management in decentralized government and public service delivery. The designed questionnaire had five parts. The first part had basic information about the MCA and service delivery by the county government. The other four parts dedicated to questions in regard to the four independent variables. All the parts in the questionnaire had questions rated on a five point scale and one open question.

In the parts dealing with independent variables, the questionnaire was designed to have items on a five point likert scale. This made it easy for the respondents to turn the qualitative variables under study to quantitative form. The questionnaire was brief, had clear questions and hence was easy to respond to. According to Oppenheim (2000) there is a probability of a high response rate if the questionnaire is designed competently. Poorly designed questionnaires result to very low response rates.

### *3.5.1 Pilot Study*

To ensure that the questionnaire was reliable and valid, a pre-test was conducted with 10 respondents from Machakos County. The pilot test data was used to test for validity and reliability. These were respondents who were not part of the population of study. The respondents who participated in the pretest were requested to comment also on the design and content of the questionnaire. Their responses were used in making amendments to the questionnaire. Recommendations from the supervisor, experts and panel members were used to make the final questionnaire that was administered to the respondents.

Reliability of the questionnaire was tested using Cronbach alpha. The test was performed on responses from the pilot test. This alpha tests the internal consistency of the various responses. Cronbach alpha of 0.7 is required for the scales to be indicated as reliable

(Kurpius & Stafford, 2006). All items in the questionnaire were established to be reliable as they had alphas of above 0.7.

### 3.6 Data Collection Methods

Data collection started immediately after doing the corrections on the proposal and the questionnaire. Permission was sought both from the University and the relevant authorities in the selected counties before commencing the exercise. After permission was granted, the selected participants were administered with the questionnaires at the County Government Assembly. A date was agreed with each of them on the day that the questionnaires were to be collected. To ensure that the response rate was good, respondents were reminded through phone calls or visiting them in their offices. The questionnaires that were filled were collected physically from the MCAs in the County Assembly. This process continued until a reasonable number of questionnaires was collected.

In conducting the study, several ethical issues were considered. These included consent, confidentiality and approval. Consent involved having permission from the respondents to have them as participants. To have consent, the respondents were provided with full information on the purpose of the study and how the results would be used. Any respondent who did not agree to participate had their position respected (Coolican, 2004).

On confidentiality, it was ensured that information from the respondents was treated with utmost confidence. The fact that the respondents had participated in the survey was also not disclosed. The data collected was only used for academic purposes only and the introduction letter attested to that. The researcher also ensured that all ethical guidelines set up by KCA University were followed.

### 3.7 Data Analysis Procedures

After collection of questionnaires from the study site, they were sorted to establish whether they were correctly filled. Only questionnaires that were correctly filled were considered for analysis. Data analysis involved sorting, inspecting, cleaning and coding of the data ready for analysis through software (Babbie, 2011). Coding of the data was done and the raw data was then entered into Statistical Package for the Social Sciences (SPSS) which generated statistics.

Data analysis was through descriptive statistics and also through inferential statistics. All the data was subjected to descriptive statistics where frequency tables, percentages and mean scores were generated. This showed the response pattern for all the responses in the questionnaire.

The inferential statistics (factor analysis, correlation and regression) was able to generate more meaning from that data to assist in answering the research questions. Factor analysis is a method where the values of observed data are conveyed as functions of a number of conceivable causes in order to discover the ones that are most important (Coolican, 2004). Factor analysis was also able to uncover other hidden factors that are important in public financial management and service delivery in the study.

Correlation analysis was applied to establish whether there was any linear association between the variables under study. Regression analysis on the other hand was applied to test the effect of PFM practices on service delivery. The following was the regression model;

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ ……………………………………. (i)

Where, Y= Service delivery by county government

$B_0$ = Constant

$\beta_i$ = Independent variable coefficients

$X_1$ = Revenue mobilization practices

$X_2$ = Budgeting practices

$X_3$ = Auditing practices

$X_4$ = Regulatory Framework

$\varepsilon$ = Error term

The results of the descriptive and inferential analysis were presented using pie-charts, tables and graphs.

To assess the moderating role of budgetary allocation on the relationship between the financial management practices and service delivery, the following model was applied;

$Y = \beta o + \beta_1 X_1 X_5 + \beta_2 X_2 X_5 + \beta_3 X_3 X_5 + \beta_4 X_4 X_5 + u$ ……………………………. (ii)

Where, $X_5$ = Budgetary allocation

$u$ = Error term

### 3.8 Model Adequacy Checks

After running the model, post-estimation tests were conducted to ensure that the model was a good fit and the estimates received from the model were efficient and reliable. This was done by establishing whether the residuals were heteroscedastic and whether there were any omitted variables. Moreover, tests of normality of residuals and multicollinearity were done. When any of the assumptions were violated, corrective measures were taken as necessary and the model fitted again.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter presents the analysis of data, presentation and discussion of the findings. The presentation of the analysis is in tables and figures. Presented first is the response rate and the demographic characteristics of the respondents. The presentation of results is then made of the research results based on the research objectives. These findings are presented based on descriptive and inferential analysis.

## 4.2 Response Rate

A population of 248 MCAs was targeted in the three countries of Nairobi, Kiambu and Kajiado. These comprised of both the nominated and elected MCAs. Out of these 248 targeted respondents, 141 duly filled the questionnaires. All the 141 filled questionnaires were found to be adequately filled and hence were all considered for analysis. This was a 57 percent response rate. This response rate was adequate according to Babbie (2011) who indicated that a response rate of 50% and above for paper based questionnaire survey is considered adequate.

## 4.3 Reliability of Questionnaire

Reliability of the questionnaire was tested using Cronbach alpha. The test was performed on responses from the pilot test. This alpha tests the internal consistency of the various responses. All items in the questionnaire were reliable as they had alphas of above 0.7 (Table 3).

**TABLE 3**

**Reliability of Items**

| Variable | Number of items | Cronbach alpha |
|---|---|---|
| Service delivery | 7 | 0.714 |
| Budgeting practices | 8 | 0.785 |
| Revenue mobilization practices | 7 | 0.739 |
| Auditing practices | 9 | 0.827 |
| Regulatory practices | 6 | 0.757 |

***Source: Author (2016)***

## 4.4 Demographics of Respondents

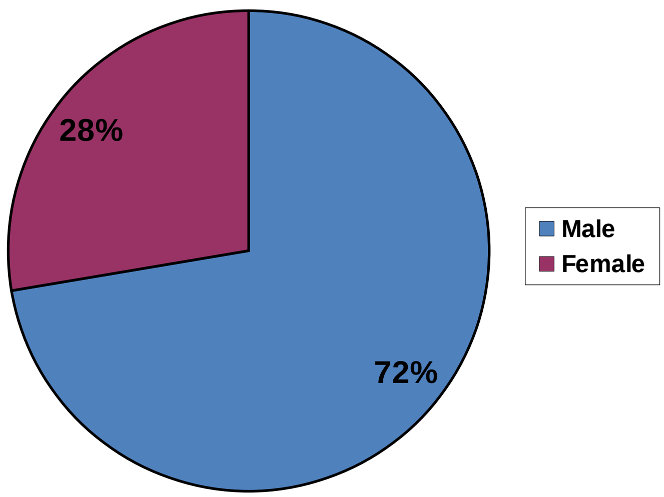
Demographic information of respondents was enquired. This is presented in the sections that follow.

### *4.4.1 Gender of Respondents*

First, respondents were required to indicate their gender. Results are presented in Figure 2. The results indicate that 72% of the respondents were male while 28% were female. This indicates that both genders were represented in the survey though there were more male respondents than female hence indicating gender imbalance. This however, represents the gender proportions in the county assemblies.

**FIGURE 2**

**Gender of Respondents**



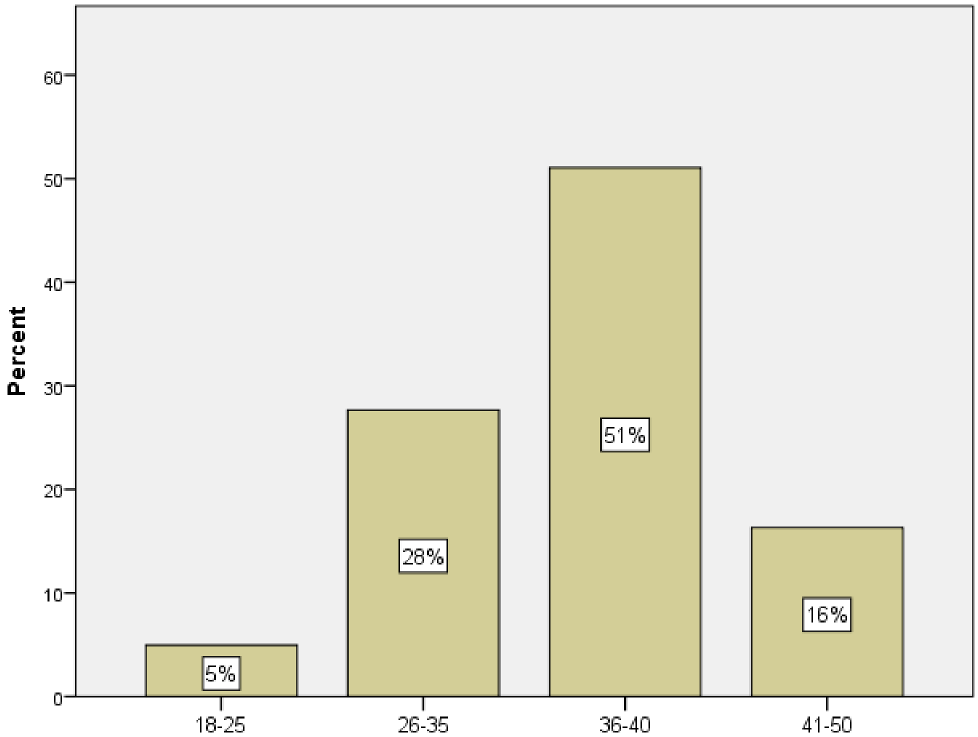
***Source: Author (2016)***

### *4.4.2 Age of Respondents*

Further, respondents were asked to indicate their ages. Results are presented in Figure 3. The results show that 51 percent of the respondents were aged between 36 and 40 years. Those who were aged between 18 and 25 years were 5%. These findings indicate a diversity of respondents according to age therefore pointing out to the representativeness of the sampled respondents. However most of the MCAs were middle aged.

**FIGURE 3**

**Age of Respondents**



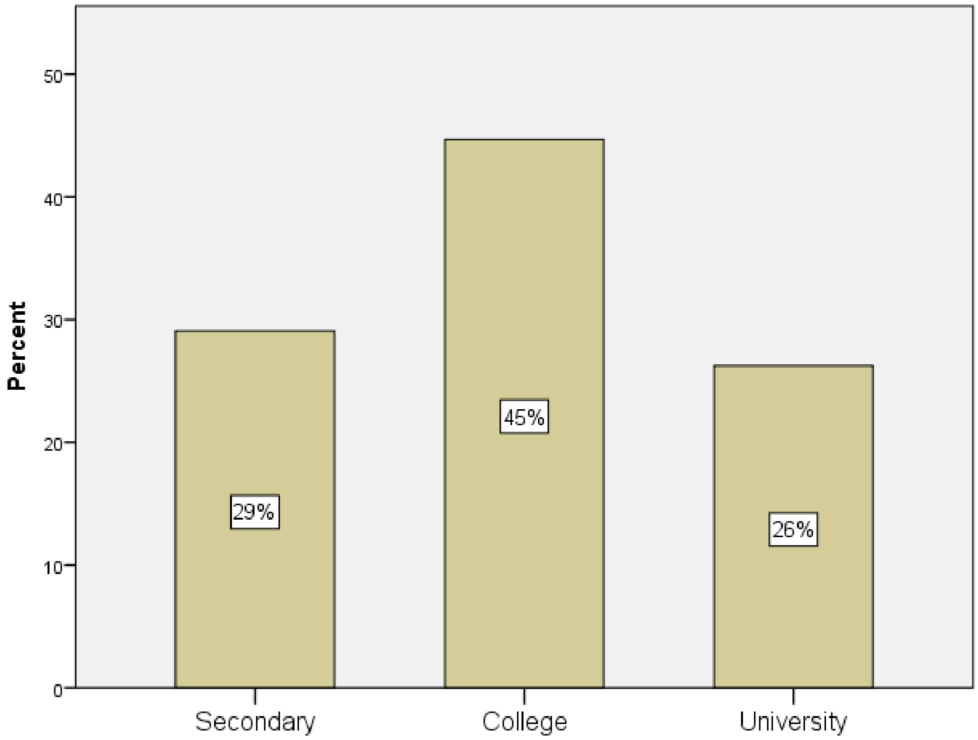

***Source: Author (2016)***

### *4.4.3 Education Level of Respondents*

The study enquired the education qualifications attained by the respondents. This was aimed at establishing whether the respondents had the capacity to comprehend the questionnaire items and respond accordingly. Findings presented in Figure 4 indicate that 45% of the respondents had attained college level of education, 29% attained secondary school level of education while 26% had attained university level of education. This suggested that the respondents were well educated and able to understand the questions and respond to them competently.

**FIGURE 4**

**Education Level of Respondents**



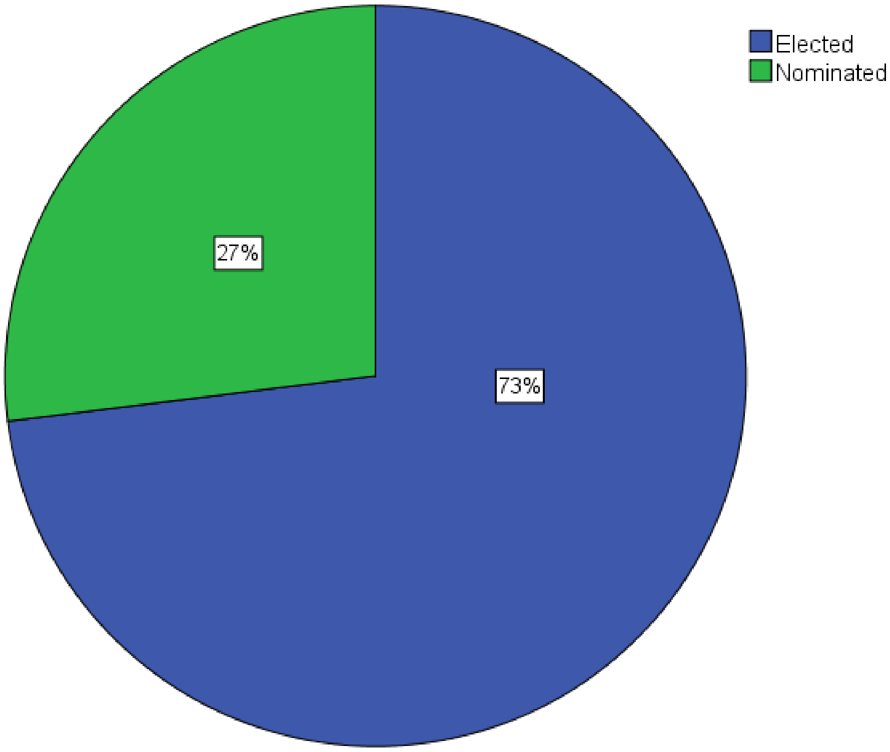

***Source: Author (2016)***

### *4.4.4 Type of MCA*

The study enquired whether the MCA was elected or nominated. This was to establish whether the respondents were representative of the MCAs in the three counties who include both the elected and the nominated members. Findings (Figure 5) indicate that 73% were elected MCAs while 27% were nominated MCAs. This indicates that the study covered both the nominated and elected MCAs representatively.

**FIGURE 5**

**Type of MCA**



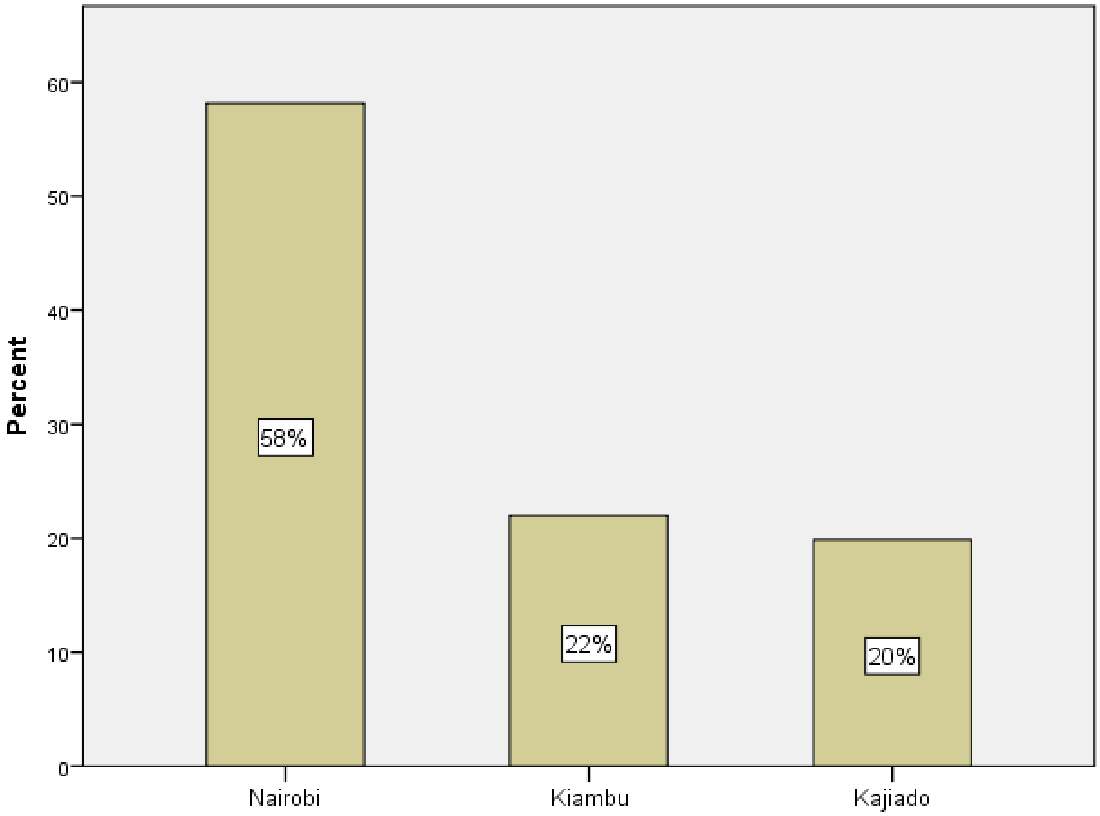

***Source: Author (2016)***

#### *4.4.5 MCA Distribution by County*

The study also investigated the counties that the MCAs hailed from. This was also to establish whether the distribution of respondents was representative of the distribution of the population. The results are presented in Figure 6. These results indicate that 58% of the respondents were from Nairobi County, 22% from Kiambu and 20% were from Kajiado. These findings indicate that the distribution was similar to the distribution of the MCA population in the three counties.

**FIGURE 6**

**Distribution by County**




***Source: Author (2016)***

### 4.5 Service Delivery in the Three Counties

The dependent variable in the current study was public service delivery. The level of service delivery was assessed. Respondents were asked to indicate the level of service delivery by the counties on the below listed areas (Table 4). Respondents were required to use the following rating (1 = Very bad, 2 = Bad, 3 = Fair, 4 = Good, 5 = Excellent). Responses were analyzed using mean scores. The results are as presented in Table 4.

**TABLE 4**

**Public Service Delivery Ratings**

| **Service area** | **Mean Score (MS)** |
|---|---|
| Education | 3.30 |
| Health | 3.55 |
| Infrastructure development (e.g roads, lighting) | 2.35 |
| Water | 3.58 |
| Sanitation | 2.68 |
| Garbage Collection | 2.20 |
| Agriculture extension services | 3.21 |

***Source: Author (2016)***

Study results as presented in Table 4 indicate that service delivery ranged from poor to good. The poorest service was reported in garbage collection (MS = 2.20) while the best rating was in water services (MS = 3.58). Service delivery rating for health was good (MS = 3.55), fair for education (MS = 3.30), agricultural extension services (MS = 3.21) and sanitation (MS = 2.68). Another service provision depicted as poor was infrastructure development (MS = 2.35). These findings indicate that provision of most public services by the counties was generally fair. However, since the counties were just four years old, there were challenges since basic local and county organizational structures had been lacking and in their infant stages of development.

### 4.6 Adequacy of Revenue Allocated

The responding MCAs were also queried on their opinion regarding adequacy of revenues allocated by the national government. This was also used as the moderating variable in the study since the amount of revenue allocated can also influence service delivery in the counties. Results presented in Table 5 reveal that 41% felt that the revenues allocated were inadequate while 24% felt that revenues allocated were adequate. Those who were neutral were 35%. This can be interpreted to mean that revenues allocated were generally not adequate which is expected since resources are limited.

**TABLE 5**

**Adequacy of Revenue Allocation**

| Adequacy of allocated revenues | Frequency | Percent |
|---|---|---|
| Very inadequate | 4 | 3 |
| Inadequate | 53 | 38 |
| Neutral | 50 | 35 |
| Adequate | 24 | 17 |
| Very adequate | 10 | 7 |
| **Total** | **141** | **100** |

***Source: Author (2016)***

## 4.7 Budgeting Practices

The first objective of the study was to determine the extent to which budgeting practices in the three counties influence public service delivery. To achieve this objective, a number of statements on budgeting practices were listed and respondents were required to indicate their level of agreement to the statements. The rating was as follows: 1- Strongly disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly agree. Mean scores were used to analyze the responses. Results are presented in Table 6.

**TABLE 6**
**Budgeting Practices**

| Statement | Mean score |
|---|---|
| The budgeting process in the county is inclusive and wide consultations take place | 3.78 |
| Citizens participate in the budgeting process to ensure that important issues are given priority | 2.53 |
| Enough resources are allocated to various projects based on clear criteria understood by stakeholders | 2.57 |
| The budgeting and planning process is realistic and practical | 3.55 |
| Budgets are adhered to when it comes to spending | 2.47 |
| Value for money is a key concern in budgeting process in the county | 2.64 |
| Addressing marginalization and inequalities are key concerns in the budgeting process | 2.55 |
| Budgets for previous years and their actualizations informs the future years budgets | 3.89 |

***Source: Author (2016)***

The study results (Table 6) indicate that respondents agreed to the statements that budgets for previous years and their actualizations informs the future years budgets (mean score = 3.89) and also agreed that the budgeting process in the county was inclusive and wide consultations took place (mean score = 3.78). Respondents also agreed that the budgeting and planning process was realistic and practical (mean score = 3.89).

Respondents were however neutral to the statements that value for money is a key concern in budgeting process in the county (mean score = 2.64) and that addressing marginalization and inequalities are key concerns in the budgeting process (mean score = 2.55). The responding MCAs were also neutral to the statements that citizens participate in the budgeting process to ensure that important issues are given priority (mean score = 2.53) and that enough resources are allocated to various projects based on clear criteria understood by stakeholders (mean score = 2.57).

Results also indicated that respondents disagreed that budgets are adhered to when it comes to spending (mean score = 2.47). These results are contrary to the stipulation of the NPM theory by Kaboolian (1998) that indicates that government as private entities should prepare a budget and ensure that it stick to it. These results indicate that best practices in budgeting formulation such as participation of citizens, value for money, prioritization and spending as per budget estimates are not strictly adhered to in the budgeting process in the counties.

### 4.8 Revenue Mobilization Practices

The second objective of the study was to establish effects of revenue mobilization practices on service delivery of county government. The study sought to fulfill this objective by listing statements on revenue mobilization and respondents were required to indicate how these applied to the county government. Results are presented in Table 7. The results indicate that there was agreement to the statement that there are no conflicts between national government and the county government in revenue mobilization' (mean score = 4.55) and also agreement that the county had been able to supplement the revenues it got from the national government through local revenue sources (mean score = 4.33).

**TABLE 7**

**Revenue Mobilization Practices**

| **Statement** | **Mean score** |
|---|---|
| Revenues generated by the county government are adequate for both recurrent expenditure and development projects | 2.59 |
| Revenue collection practices adopted by the county government are cost effective and efficient | 2.69 |
| Revenue collection practices in the county are transparent and there is no corruption involved | 2.35 |
| Residents and businesses do not complain of taxes obtained from them | 2.43 |
| There are no conflicts between national government and the county government in revenue mobilization | 4.35 |
| The county get revenues allocated from the national government in time without delays | 3.29 |
| The county has been able to supplement the revenues it gets from the national government through local revenue sources | 4.33 |

***Source: Author (2016)***

However, respondents were neutral to the statements that the county got revenues allocated from the national government in time without delays (mean score = 3.29), revenue collection practices adopted by the county government were cost effective and efficient (mean score = 2.69) and revenues generated by the county government are adequate for both recurrent expenditure and development projects (mean score = 2.59). This relates to the observation of Akpa (2008) that revenue is a necessary tool for the effective functioning of any government machinery and no government agency can survive without adequate revenue. The counties hence could have been affected in their drive to provide services by the inadequacy of revenues.

Respondents disagreed with the statements that revenue collection practices in the county are transparent and there is no corruption involved (mean score = 2.35). These findings are comparable to those by Pimhidzai and Fox (2011) that many local tax systems in Anglophone Africa are characterized by high levels of arbitrariness, coercion and corruption. These findings also agreed with findings by Lessmann and Markwardt (2010) that revenue collection in Africa is dogged with corruption and inefficiency thus jeopardizing delivery of services to the community.

Respondents also disagreed that residents and businesses do not complain of taxes obtained from them (mean score = 2.43). these disagrees with the observation of Savoie (2003) that NPM theory dictates changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. The counties lacked customer responsive tactics. These findings also agreed with the findings by Misch et al. (2011) that enterprises faced a range of different taxes, fees and licences, and the types of fees resulting in the burden falling more on the poor than on the relatively better-off in local communities.

### 4.9 Auditing Practices

The third objective of the study was to find out how auditing practices influences service delivery in the counties. Statements on auditing practices were listed and respondents required to indicate their level of agreement. The results are presented in Table 8.

**TABLE 8**

**Auditing Practices**

| Statement | Mean score |
|---|---|
| There are annual audits on how public finances are utilized | 4.45 |
| The audit reports are made public | 4.38 |
| Audit reports and lessons learnt are applied in subsequent years | 2.47 |
| Any public official who is found to have misappropriated public finances through audit is punished | 2.30 |
| Auditing helps the county by moving county officials into action on areas that are reported to have issues | 2.16 |
| Auditing draws authorities' attention to specific problems which they take remedial action upon | 2.37 |
| Auditing in the county government is performance based and seeks to establish whether funds are used optimally but not just establishing whether rules were followed | 2.26 |
| The county has internal auditors who continuously perform audits on state finances | 4.47 |
| The county hire auditors with requisite skills and experience | 4.34 |

***Source: Author (2016)***

The results show that respondents agreed to the statements that there were annual audits on how public finances were utilized (mean score = 4.45) and that the county had internal auditors who continuously performed audits on county finances (mean score = 4.47).

Respondents also agreed that the audit reports are made public (mean score = 4.38) and the county hired auditors with requisite skills and experience (mean score = 4.34). Respondents disagreed that auditing helped the county by moving county officials into action on areas that are reported to have issues (mean score = 2.16) and also disagreed that auditing in the county government is performance based and sought to establish whether funds were used optimally but not just establishing whether rules were followed (mean score = 2.26). Similarly, respondents disagreed that any public official who was found to have misappropriated public finances through audit was punished (mean score = 2.30) while also disagreeing that auditing drew authorities' attention to specific problems which they took remedial action upon (mean score = 2.37). Study results also indicated that respondents disagreed to the statement that audit reports and lessons learnt were applied in subsequent years (mean score = 2.47). These results indicate that even though auditing is performed by the county governments by qualified personnel, the best practices in auditing such as taking action against those who misappropriate funds and using audit reports for future improvements were not applied. This relates to the argument by Khan and Chowdhury (2012) that the role played by auditing public accountability and corruption control in public administration. The results of this survey indicate that impacts of audit on corruption control and service delivery differ under differing governance environment.

### 4.10 Regulatory Practices

The fourth objective of the study was to establish the effect of regulatory practices on service delivery in the counties. Respondents were required to indicate their level of agreement to statements related to regulatory practices in managing public funds by the county governments. Findings are presented in Table 9.

**TABLE 9**

**Regulatory Practices Involving Public Funds**

| Statement | Mean score |
|---|---|
| There are rules and regulations that are designed to curb wastages and corruption in managing public finances | 4.35 |
| The rules and regulations are adhered to and those who break them are punished accordingly | 2.24 |
| There are clear regulatory framework that clarifies how the public funds are to be utilized for better service delivery | 4.41 |
| The laws on public finance management are strict which prescribes punitive action against officials who misuse public funds | 4.37 |
| Officials who misuse public funds lose their status and are prosecuted | 2.23 |
| The county attracts suggestions from private, NGOs and other stakeholders on how to promote good practice and supporting the home-grown improvement strategies of county service providers | 3.11 |

***Source: Author (2016)***

The results indicate that respondents agreed to the statement that there are rules and regulations that are designed to curb wastages and corruption in managing public finances (mean score = 4.35) and also agreed to the statement that there are clear regulatory framework that clarifies how the public funds are to be utilized for better service delivery (mean score = 4.41). Respondents also agreed to the statement that the laws on public finance management were strict which prescribed punitive action against officials who misused public funds (mean score = 4.37). These findings are contrary to the allocative efficiency theory by Farrell (1957) which indicates that scarce resources should be efficiently allocated to priority areas to meet people's needs optimally.

However, respondents disagreed to the statements that officials who misused public funds lost their status and were prosecuted (mean score = 2.23). Similarly, respondents disagreed with the statement that the rules and regulations on public financial management were adhered to and those who broke them were punished accordingly (mean score = 2.24). Respondents were however neutral to the statement that the county attracted suggestions from private sector, NGOs and other stakeholders on how to promote good practice and support the home-grown improvement strategies of county service providers (mean score = 3.11). These findings on regulatory framework governing public financial management indicate that there were adequate laws designed to ensure effective management of public funds which prescribed punitive action on misappropriation of public resources. However, in the three counties, these laws were rarely followed and those who misused public resources were barely punished.

### 4.11 Factor Analysis

Factor analysis was applied to reduce the various variables and items in the questionnaire by observing and assembling groups of common variables into factors. This made it easier to focus on some key factors rather than on all the questionnaire items. Principal axis factoring was used to reduce the items to a few factors. Further, factor rotation was done using the direct Oblimin rotation method. This method was selected since it is appropriate where factors are thought to be correlated with each other. In the study, the factors being assessed were related with each other. Costello and Osborne (2005) noted that rotating factors is vital to effectively interpret them as un-rotated factors are ambiguous. In the factor matrix in Table 10, four factors were extracted.

The first factor included items such as citizen participation in budgeting (0.717), value for money consideration in budgeting (0.884), addressing marginalization in budgeting, adequacy in revenues (0.894), satisfaction with revenues allocated (0.937), attracting suggestions from stakeholders (0.944) and the budgets being practical (0.426). These factors related to budgeting and stakeholder participation in the process. The second factor included items such as allocation of enough resources (0.858), adequacy of revenues generated (0.894), efficiency in revenue collection practices (0.787), lack of conflict between national and county governments in revenue mobilization (0.914) and ability to supplement the revenues allocated by national government (0.929). This factor related to revenue collection and spending practices.

The third factor included utilization of annual audits (0.902), publication of audit reports (0.892) and lessons learnt in audit reports (0.875). Other items included action on audit reports (0.774), remedial action based on audit reports (0.833), auditing on value added (0.712), hiring of qualified auditors (0.827) and taking action on those who misuse public funds (0.883). These items related to auditing and forensic accounting practices. The fourth factors extracted include items such as adhering to budgets when spending (0.899), transparency in revenue collection (0.841), receipt of allocated revenues on time from national government (0.951), punishment to those who misappropriate public funds (0.903), presence of rules to curb wastage and corruption (0.951), adherence to stipulated rules (0.607) and regulatory framework for public financial management (0.883). Lastly the factor included presence of strict rules that are enforced (0.786). This factor related to governance and effectiveness of rules and regulations governing public financial management.

**TABLE 10**
**Rotated Factor Matrix**

| Items | Factor | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| The budgeting process in the county is inclusive and wide consultations take place | .669 | .041 | .344 | -.045 |
| Citizens participate in the budgeting process to ensure that important issues are given priority | .717 | .225 | .030 | -.077 |
| Enough resources are allocated to various projects based on clear criteria understood by stakeholders | .236 | .858 | .080 | .045 |
| The budgeting and planning process is realistic and practical | .426 | .069 | .036 | -.172 |
| Budgets are adhered to when it comes to spending | .271 | .010 | .064 | .899 |
| Value for money is a key concern in budgeting process in the county | .884 | .121 | .115 | .031 |
| Addressing marginalization and inequalities are key concerns in the budgeting process | .940 | .053 | .088 | .073 |
| Budgets for previous years and their actualizations informs the future years budgets | .650 | .031 | .311 | -.097 |
| Revenues generated by the county government are adequate for both recurrent expenditure and development projects | .124 | .894 | .113 | -.051 |
| Revenue collection practices adopted by the county government are cost effective and efficient | .018 | .787 | .125 | .043 |
| Revenue collection practices in the county are transparent and there is no corruption involved | .289 | .092 | .039 | .841 |
| Residents and businesses do not complain of taxes obtained from them | .937 | .076 | .095 | .046 |
| There are no conflicts between national government and the county government in revenue mobilization | .129 | .914 | .050 | .068 |
| The county gets revenues allocated from the national government in time without delays | .030 | -.128 | .052 | .951 |
| The county has been able to supplement the revenues it gets from the national government through local revenue sources | .108 | .929 | .006 | .030 |
| There are annual audits on how public finances are utilized | .149 | -.066 | .902 | -.015 |
| The audit reports are made public | .099 | .005 | .892 | -.033 |
| Audit reports are utilized and lessons learnt are applied in subsequent years | .090 | .089 | .875 | .062 |
| Any public official who is found to have misappropriated public finances through audit is punished | .045 | .102 | .110 | .903 |
| Auditing helps the county by moving county officials into action on areas that are reported to have issues | .033 | .040 | .774 | .023 |
| Auditing draws authorities' attention to specific problems which they take remedial action upon | -.019 | .181 | .833 | -.092 |
| Auditing in the county government is performance based and seeks to establish whether funds are used optimally but not just establishing whether rules were followed | -.094 | .130 | .712 | -.078 |
| The county has internal auditors who continuously perform audits on state finances | .145 | .052 | .891 | -.055 |
| The county hires auditors with requisite skills and experience | .089 | -.019 | .827 | .011 |
| There are rules and regulations that help curb wastages and corruption in managing public finances | .129 | .068 | .050 | .914 |
| The rules and regulations are adhered to and those who break them are punished accordingly | -.010 | .070 | -.124 | .607 |
| There are clear regulatory framework that clarifies how the public funds are to be utilized for better service delivery | .140 | -.059 | -.138 | .883 |
| The laws on governance are strict which ensures that punitive action is taken against officials who misuse public funds | .126 | .024 | -.109 | .786 |
| Officials who misuse public funds lose their status and are prosecuted | .143 | .082 | .883 | .064 |
| The county attracts suggestions from private, NGOs and other stakeholders on how to promote good practice and supporting the home-grown improvement strategies of county service providers | .944 | -.164 | .027 | .041 |

***Source: Author (2016)***

### 4.12 Correlation and Regression Results

#### *4.12.1 Correlation Results*

A correlation analysis was performed to establish the relationship between the variables under study. The four factors that were extracted from the factor analysis were used as indicators and as independent variables. The average rating of service delivery was used to indicate service delivery ranking by the county. Spearman Rank correlation coefficients were established for all the variables with findings as indicated in Table 11.

**TABLE 11**

**Correlation of the Study Variables**

| | | Budgeting and stakeholder participation | Revenue collection and spending | Auditing and forensic accounting | Regulations and governance | Service delivery |
|---|---|---|---|---|---|---|
| Budgeting and stakeholder participation | Correlation Coefficient | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 135 | | | | |
| Revenue and spending | Correlation Coefficient | .234** | 1 | | | |
| | Sig. (2-tailed) | .006 | | | | |
| | N | 135 | 135 | | | |
| Auditing and forensic reporting | Correlation Coefficient | -.008 | -.210* | 1 | | |
| | Sig. (2-tailed) | .927 | .015 | | | |
| | N | 135 | 135 | 135 | | |
| Regulations and governance | Correlation Coefficient | .239** | .140 | .030 | 1 | |
| | Sig. (2-tailed) | .005 | .105 | .733 | | |
| | N | 135 | 135 | 135 | 135 | |
| Service delivery | Correlation Coefficient | .353** | .226** | .005 | .603** | 1 |
| | Sig. (2-tailed) | .000 | .008 | .958 | .000 | |
| | N | 135 | 135 | 135 | 135 | 141 |

***Source: Author (2016)***

The study results indicated that there were positive correlations between regulatory framework and governance practices and service delivery ($r_s$ = 0.603; $p < 0.05$). These findings indicated that regulatory framework and governance practices were positively associated with service delivery in the counties. Moreover, there was moderate positive correlation between budgeting and stakeholder participation practices and service delivery ($r_s$ = 0.353; $p < 0.05$) and between revenue mobilization and spending practices and service delivery ($r_s$ = 0.226; $p < 0.05$). These results implied that revenue mobilization, budgeting, spending and stakeholder participation were all associated positively with service delivery in the three counties. Further results indicated that auditing and forensic accounting practices had a weak positive and insignificant relationship with service delivery ($r_s$ = 0.005; $p > 0.05$). These results indicate that auditing and forensic accounting were insignificantly associated with service delivery in the three counties.

### *4.12.2 Regression Results*

The regression analysis was performed with the independent variables being the four extracted factors. These were budgeting and stakeholder participation, revenue collection and spending, auditing and forensic accounting and regulations and governance. The dependent variable was public service delivery in the three counties. A weighted average of service delivery rating was used.

After the regression analysis was conducted, posttest assessments relating to multicollinearity, normality of residuals, heteroscedasticity and omitted variables was conducted. Test for multicollinearity (Table 12) indicated that all the independent variables were not highly correlated with each other as indicated by the Variance Inflation Factors (VIF) of below five. The mean VIF was 1.088 indicating that there was no multicollinearity.

**TABLE 12**
**Test for Multicollinearity**

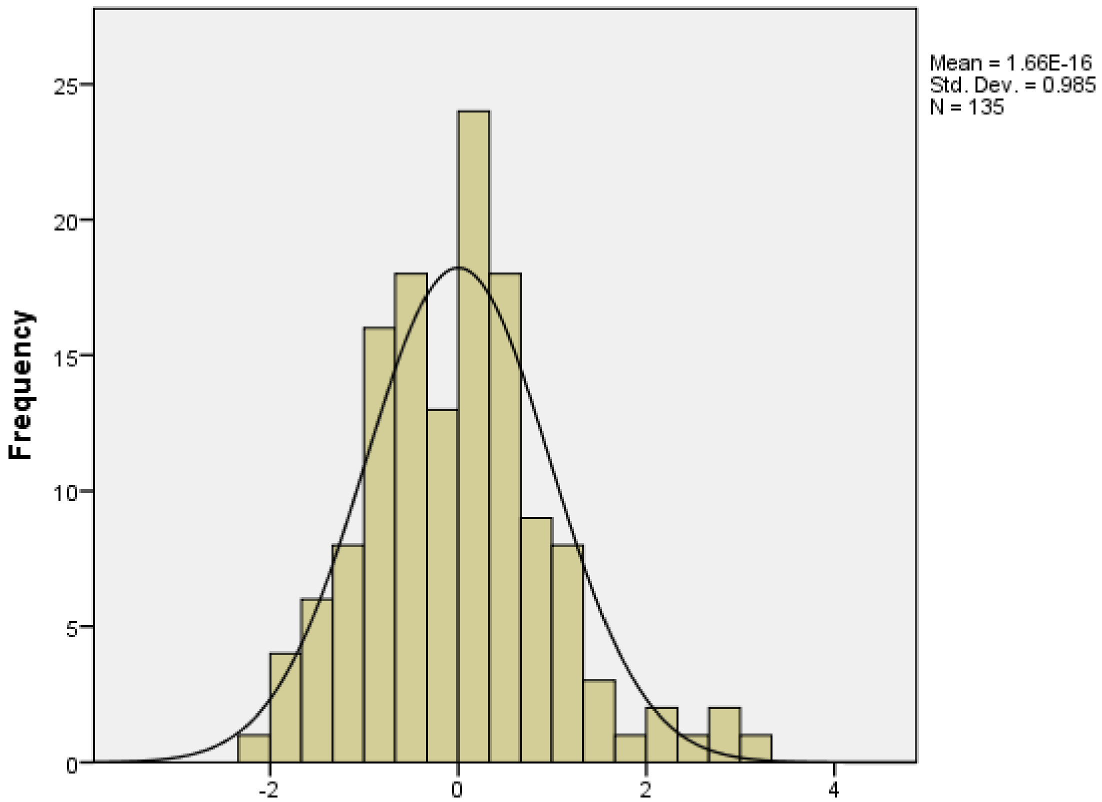
| | Collinearity Statistics | |
|---|---|---|
| Variables | Tolerance | VIF |
| Budgeting and stakeholder participation | .901 | 1.110 |
| Revenue and spending | .894 | 1.119 |
| Auditing and forensic accounting | .952 | 1.051 |
| Regulations and governance | .933 | 1.072 |
| Mean VIF | | 1.088 |

***Source: Author (2016)***

The other tests that were conducted were testing of normality of residuals and outliers. The results in Figure 7 indicate that the residuals were almost normally distributed after regression of the four independent variables on service delivery. The residuals were hence considered to be normally distributed. Moreover, the histogram does not indicate any outliers that were materially different and far away from the rest. This also indicated that there was no problem of outliers.

**FIGURE 7**

**Histogram of Residuals**

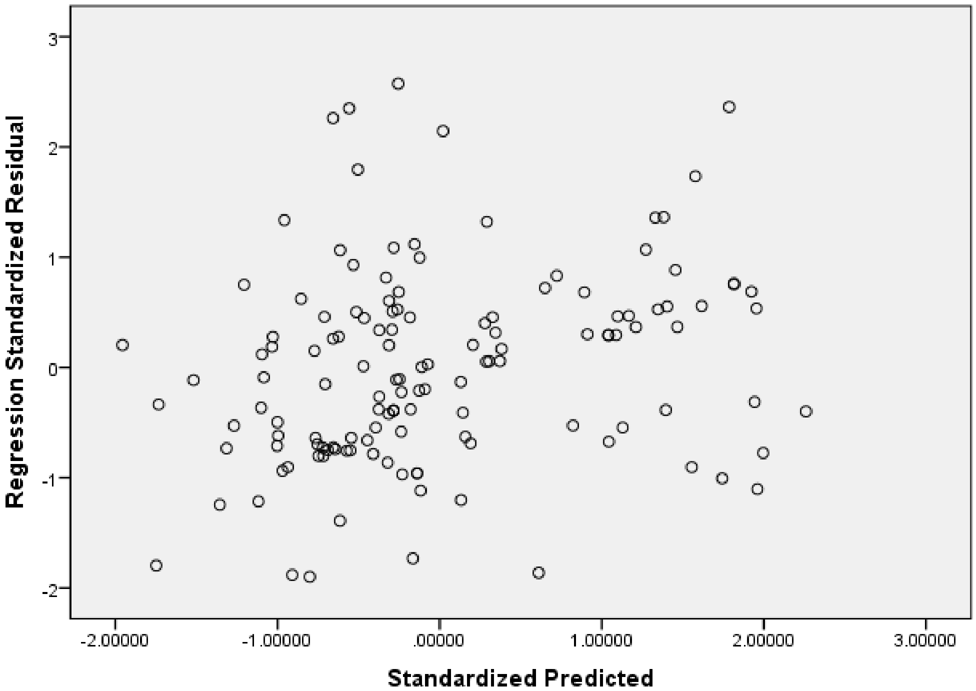



***Source: Author (2016)***

Another post test conducted was whether the errors were independent. This was tested using the plots of the standardized residuals against the standardized predicted values. Figure 8 presents the plots. The plot in Figure 8 shows no relationship between the predicted values with the standardized residuals. This was hence interpreted to mean that the residuals were independent.

**FIGURE 8**

**Standardized Residuals Against Standardized Predicted**




***Source: Author (2016)***

Lastly, the test for heteroscedasticity was conducted. This was tested using the white test. Results are presented in Table 13. The test results indicated that the chi square statistic was not significant ($\chi^2 = 10.09$; $p > 0.05$). This was interpreted to mean that there was homoscedasticity.

## TABLE 13

## Test for Heteroscedasticity

```
White's test for Ho: homoskedasticity
         against Ha: unrestricted heteroskedasticity

         chi2(14)      =     10.09
         Prob > chi2   =    0.7559

Cameron & Trivedi's decomposition of IM-test
```

| Source | chi2 | df | p |
|---|---|---|---|
| Heteroskedasticity | 10.09 | 14 | 0.7559 |
| Skewness | 16.06 | 4 | 0.0029 |
| Kurtosis | 2.83 | 1 | 0.0925 |
| Total | 28.97 | 19 | 0.0664 |

***Source: Author (2016)***

Lastly was the test of omitted variables. This test was conducted using Ramsey RESET test. Results are as presented in Table 14. The results indicated that the test statistic was not significant ($F = 1.23$; $p > 0.05$) indicating the model had no omitted variables. This result implied that the model did not have any specification error.

## TABLE 14

## Test for Omitted Variables

```
. ovtest

Ramsey RESET test using powers of the fitted values of SD
       Ho:  model has no omitted variables
                 F(3, 127) =      1.23
                  Prob > F =      0.3030
```

***Source: Author (2016)***

After the posttests results indicated that the model was well specified, the regression results are presented. Results are presented in Tables 15, 16 and 17. The adjusted r-squared for the regression model was 0.402 as indicated in Table 15. The model therefore is explaining 40.2% of the change in service delivery using the four independent variables. These findings indicate that the four independent variables selected can explain 40.2% of the variation in service delivery by the three county governments while 59.8% of the service delivery is explained by other factors that were not included in the model.

**TABLE 15**

**Coefficient of Determination**

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|
| .648 | .420 | .402 | .874 |

***Source: Author (2016)***

The analysis of variance indicating the significance of the overall model (model fit) was performed. Results in Table 16 indicate that the model was statistically significant (F = 23.545; p < 0.05). This indicates that the model could provide predictive power where the four public finance management practices could be used to explain service delivery.

**TABLE 16**

**Analysis of Variance**

| Source of Variance | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 72.023 | 4 | 18.006 | 23.545 | .000 |
| Residual | 99.414 | 130 | .765 | | |
| Total | 171.437 | 134 | | | |

a. Dependent Variable: Service delivery

b. Predictors: (Constant), Budgeting and stakeholder participation, Revenue collection and spending, Auditing and forensic accounting, Regulations and governance

***Source: Author (2016)***

Lastly, the study tested the significance of the independent variables (budgeting, revenue mobilization, auditing and regulations) in explaining service delivery. The test of the statistical significance of the independent variables in the model was done using t-tests. The results from the t-tests were also used to provide answers to the research questions. Results are presented in Table 17.

**TABLE 17**

**Test of Significance of Independent Variables**

| Variables | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 2.748 | .075 | | 36.514 | .000 |
| Budgeting and stakeholder participation | .226 | .080 | .200 | 2.844 | .005 |
| Revenue and spending | .118 | .080 | .104 | 1.473 | .143 |
| Auditing and forensic accounting | .003 | .077 | .003 | .040 | .968 |
| Regulations and governance | .611 | .078 | .541 | 7.817 | .000 |

***Source: Author (2016)***

The results in Table 17 indicates that budgeting and stakeholder participation practices had a positive coefficient when used as a predictor of service delivery ($\beta = .226$; $p < 0.05$). This indicates that budgeting practices are a significant factor in determining service delivery by the three county governments. These results imply that the budgeting practices applied by the county governments played a role of improving service delivery. This agrees with findings by Nayak and Samanta (2014) that effective budgeting ensures that a sizeable portion of the public resources are applied in creating public utilities and providing host of public services. The findings also agree with results from a study by Chattopadhyay et al. (2010) that budgeting ensures that available resources are prioritized properly for enhancing service to the public.

Results on revenue mobilization and spending practices indicated that they were insignificant in explaining service delivery in the three counties ($\beta = .118$; $p > 0.05$). These results show that revenue mobilization practices in the three counties had some weaknesses and gaps that prevented them from playing a role in enhancing service delivery in the three counties. This finding agrees with that by Bird (2010) that sound revenue mobilization practices for government units are an essential pre-condition for the success of public service delivery. The findings also agree with findings by Oates (2011) that apart from raising revenues, effective local revenue mobilization practices have the potential to foster political and administrative accountability by empowering communities. Oates also noted that ineffective revenue mobilization practices may hamper service delivery. The findings also agree with the results by Baumann (2013) that in many countries, the decentralized governments act as a tier of government requiring adequate finances to enable them cope with numerous developmental activities within their jurisdiction. Nevertheless, many of them are coupled with dwindling revenue generation, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability which hampers their service delivery to the electorate.

The study results revealed that auditing and forensic accounting practices also had an insignificant effect on service delivery in the three counties ($\beta = .003; p > 0.05$). These results indicated that auditing and forensic accounting practices in the county had critical weaknesses that mad them incapable of playing a role in ensuring effective service delivery in the counties. These findings contrast the results by Morin (2011) who established that VFM audits were helpful in the agencies and organizations audited. The management of the organization and the service delivery by the organizations were reported to have improved due to VFM audits. However, Morin noted that value of auditing emanates from utilizing the reports to improve processes and practices. The study findings however, agree with finding by Athmay (2008) that auditing did not have any effect on service delivery since it did not focus on outcomes and just focused on conformance with laid down rules and regulations.

Lastly, the study established that regulatory practices in regard to public funds management had a positive effect on service delivery in the counties ($\beta = .611; p < 0.05$). This implies that the regulatory framework played a significant role in enhancing service delivery in the three counties. This disagrees with findings from a study by Zhou (2012) who observed that have regulations is just one part of regulating public services where strong institutions are required to implement the legal framework. Zhou noted that in Zimbabwe, though the country had extensive legal and institutional framework, poor institutional structure made the regulatory framework useless in enhancing service provision to the people.

The study also sought to find the moderating effect of revenues allocated to the counties by the national government. Moderation was tested using the interaction variables which was a product of the four independent variables and the moderating variable. The variables used in the model were the interactions of budgetary allocation with each of the independent variables. These were products of the independent variables and budgetary allocation. Results are presented in Table 18.

**TABLE 18**

**Testing Moderating Effect of Adequacy of Allocated Revenue**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 2.735 | .078 | | 34.886 | .000 |
| $X_1X_5$ | .060 | .028 | .167 | 2.114 | .036 |
| $X_2X_5$ | .038 | .030 | .101 | 1.298 | .197 |
| $X_3X_5$ | .003 | .026 | .007 | .100 | .921 |
| $X_4X_5$ | .194 | .028 | .505 | 6.825 | .000 |

***Source: Author (2016)***

The results in Table 18 indicated that adequacy of allocated revenue had an insignificant moderating effect in the relationship between the four independent variables and service delivery. This was due to the fact that although it marginally reduced the significance of the four independent variables, it did not significantly influence their significance. Budgeting and stakeholder participation ($\beta = .226$; $p < 0.05$) and regulations and governance

($\beta = .611$; $p < 0.05$) were both significant without including the moderating variable and were still significant when the moderating variables was included ($\beta = .060$; $p < 0.05$ and $\beta = .194$; $p < 0.05$ respectively). Inclusion of the moderator only changed the coefficients but did not change their significance. Revenue and spending and auditing and forensic accounting were both insignificant whether the moderator was included or not.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This study had the purpose of assessing financial management practices and their effect on service delivery in three counties of Nairobi, Kiambu and Kajiado. The study had the specific objectives of establishing the influence of revenue mobilization practices, budgeting practices, auditing practices and regulatory practices on service delivery in the three counties. This chapter presents the summary of findings, conclusions, and recommendations made in the study. The study further makes suggestions for further research in the area.

## 5.2 Summary of Findings

Study results on service delivery indicated that service delivery in the three counties was on average fair. The poorest service was reported in garbage collection while the best rating was in water service. Service delivery rating for health was good, fair for education, agricultural extension services and sanitation. Another service provision depicted as poor was infrastructure development. The theory that underpinned the study was the systems theory which depicts that public financial management practices influence each other and also they influence service delivery. This indicates that they are all expected to influence service delivery. However, this study established that only budgeting and regulatory framework had positive effect on service delivery. Auditing and revenue collection did not significantly influence service delivery. The findings hence indicate that all the practices need to be well coordinated and work like a system to have an effective influence on service delivery.

### *5.2.1 Effect of Budgeting Practices on Public Service Delivery*

Budgeting practices had a positive effect on service delivery in the three counties surveyed. Study results indicated that budgets for previous years and their actualizations informed the future years budgets and that budgeting process in the counties was inclusive and wide consultations took place. Results also established that the budgeting and planning process was realistic and practical. However, there were some weaknesses in value for money budgeting, focus on addressing marginalization and inequalities and prioritization in budgeting. Moreover, budgets were not adhered to when it came to spending.

### *5.2.2 Effect of Revenue Mobilization Practices on Public Service Delivery*

Results on revenue mobilization practices indicated that they were insignificant in explaining service delivery in the three counties. These results show that revenue mobilization practices in the three counties had some weaknesses and gaps that prevented them from playing a role in enhancing service delivery in the three counties. Results further indicated that revenue collection practices in the county were not transparent and there was corruption involved. Results also indicated that residents and businesses complained of taxes obtained from them. Moreover, revenue collection practices adopted by the county government were not cost effective and efficient and revenues generated by the county government were not adequate for both recurrent expenditure and development projects.

### *5.2.3 Effect of Auditing Practices on Public Service Delivery*

The study results revealed that auditing practices had an insignificant effect on service delivery in the three counties. These results indicated that auditing practices in the county had critical weaknesses that made them incapable of playing a role in ensuring effective service delivery in the counties. Study results also established that there were annual audits on how public finances were utilized and that the county had internal auditors who continuously performed audits on county finances. Results also revealed that the audit reports were made public and the county hired auditors with requisite skills and experience. However, auditing did not seem to help the county by moving county officials into action on areas that were reported to have issues. Similarly, auditing in the county government were not usually performance based and did not seek to use resources optimally. Further, public official who misappropriated public finances were rarely punished, audit reports were not acted upon and lessons learnt were not applied in subsequent years.

### *5.2.4 Effect of Regulatory Practices on Public Service Delivery*

Regulatory practices in regard to public funds management had a positive effect on service delivery in the counties. This implies that the regulatory framework played a significant role in enhancing service delivery in the three counties. The results indicate that there were rules and regulations that were designed to curb wastages and corruption in managing public finances and also that there were clear regulatory framework that clarified how the public funds were to be utilized for better service delivery. Results also established that the laws on public finance management were strict which prescribed punitive action against officials who misused public funds. However, results indicated that officials who misused public funds rarely lost their status and neither were they prosecuted. Similarly, results indicated that the rules and regulations on public financial management were not usually adhered to and those who broke them were rarely punished.

### *5.2.4 Moderating Role of Budgetary Allocation*

The results indicated that budgetary allocation had an insignificant moderating effect in the relationship between the four independent variables and service delivery. The significance of budgeting and stakeholder participation and regulations and governance did not change with or without the moderator. Moreover, Revenue and spending and auditing and forensic accounting were both insignificant whether the moderator was included or not.

## 5.3 Conclusions

The study makes the following conclusions based on the study findings. First, service delivery by the three counties was average. Service areas where public service delivery by the county governments was good included in water and health. Infrastructure development and garbage collection services were poor. Agricultural extension, education and sanitation services were fair. The county governments had been effective in providing services but there were areas that called for high improvements.

In relation to budgeting, the study concludes that budgeting practices have a significant effect on service delivery by the county governments. The study also concludes that there are laid down procedures to guide the budgeting and planning process in the counties. Rules relating to budgeting are followed in the counties with participation from various entities.

Secondly, the study concludes that the county governments did not observe best revenue mobilization practices and this explains why the service delivery is poor. The study also concludes that revenue mobilization practices have a positive and significant effect on service delivery. This led to the conclusion that the existing revenue mobilization practices were inefficient. Further, revenues generated by the state government were inadequate for service provision.

The study further concludes that auditing practices had an insignificant effect on service delivery. This indicates that there were weaknesses that prevented auditing from playing its rightful role in ensuring prudent use of public resources to enhance service delivery.

Lastly, the study concludes that regulations governing public funds management had significant effect on service delivery. This is despite the fact that the laws were not strictly followed and implemented. However, the study concludes that compliance to laid down rules and having clearly understandable rules enables regulations to have a positive effect on service delivery.

### 5.4 Recommendations

Based on the key findings and the conclusions of the study, the study makes a number of recommendations for policy and practical consideration. First, it is recommended that the county governments should prepare plans and budgets with high level of participation and ownership of the public. This could be done through broad stakeholders meetings, discussions and conferences. The counties should also provide information to the public on budgets and plans. The information on budgets could assist the public to understand the obligations of the county.

Secondly, the county should institute effective measures to follow systematic budget processes especially in the area of periodic reviews and reporting. For example, budget review fora could be scheduled every quarterly. The county should also strengthen sector budget committees to be responsible and able to supervise sector resource ceiling between the agencies in the different sectors. Spending above the budget estimates should not usually be encouraged.

Third, the counties should improve on internally generated funds. This could be done by involving private agencies in the collection processes. Most importantly, the counties should explore new sources of revenue. Example of new sources includes, construction of more markets to attract licenses and fees. Moreover, the counties should adopt technology to enhance efficiency in revenue collection. Further, the counties should push for legislative reforms to widen their revenue bases. Specifically, bond financing has become a prominent feature within local credit market. The model of bond financing as a major source of funding for delivering services could be explored by the counties.

Lastly, the counties should ensure that audit reports are acted upon. There should be regular public expenditure review meetings at which expenditures would be discussed widely by the county with donors, civil society organizations and citizens. This would ensure that mistakes done in a budget year is not repeated in subsequent budget years. Moreover, the counties should work in coordination with law enforcing agencies to ensure that public officers who misappropriate public resources are punished accordingly.

## 5.5 Suggestions for Further Research

Issues of fiscal decentralization and specifically financial management practices as related to service delivery in decentralized systems are multifaceted and complicated. Empirical literature reveals that sometimes it is even difficult to separate or isolate the influence of funds management practices from other ongoing reform agenda on service delivery. Availability of accurate quantitative data is also in shortfall in developing countries for such themes. It is therefore recommended that research or studies in these areas should adopt multi thronged frameworks that are capable of perceiving and analyzing the issues from critical diverse angles in order to derive useful conclusions. Following the major findings and conclusions of this study, the researcher observed that there were some further outstanding areas which could be interesting and necessary for further research.

Such outstanding research areas include improving the public finance management practices in decentralized units. This is an area where further studies are needed to document working solutions to the issues being faced in ensuring proper public funds management in the other counties in Kenya.

Strategies adopted by various stakeholders to enhance the influence of decentralization on service delivery should also be researched. This research area could look into strategies stakeholders such as governments, politicians, technocrats, government agencies and private sector have adopted to ensure the benefits of decentralization are realized.

Comparative study of decentralization being adopted across Kenya and Africa in the various counties and how they are influencing social, economic and political aspects is another area suggested for research. There is need to understand how various forms of decentralization being adopted across Africa are influencing the social, economic and political dynamics of the African societies.

Another study should be conducted towards establishing a conceptual framework for service delivery in decentralized units. There is need for further studies on how to conceptualize service delivery in decentralized units in the context of Kenya and the larger Africa.

### 5.6 Limitations of the Study

The study selected three out of 47 counties for this study. Even though in terms of research this can be a good sample, one could argue that, it could be difficult to generalize the result to cover all the counties in Kenya. This study truly applied reasonable quantitative data including regression analyses and test of hypothesis to support its analyses. However, the use of qualitative measures which was based on the views of MCAs makes some of the findings subjective.

Secondly, the study relied on the perceptions of MCAs and hence there is a possibility that they could be biased. This hence would provide weaknesses to some of the findings which even distort the reality on the ground. Though respondents were requested to be as objective as possible, future studies should seek to control this by including more stakeholders such as citizens, in such a study.

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# APPENDIXES

## APPENDIX I: Questionnaire on Financial Management Practices in Selected Counties

This questionnaire is aimed at seeking information about public financial management practices in this county and the service that the public receive from the county government. You have been selected to participate in the study.

Please answer the questions by ticking or filling on the space provided.

### SECTION A: GENERAL INFORMATION

1. What is your gender?

Male [ ]    Female [ ]

2. Please tick your age blanket

Between 18-25 [ ]    Between 26-35 [ ]

Between 36-40 [ ]    Between 41-50 [ ]

Between 51- Above [ ]

3. What is your highest level of education?

Primary [ ]    Secondary [ ]    College [ ]    University [ ]

Others [ ] specify……………………………………………………………

4. Please indicate whether you are elected or nominated?

Elected MCA [ ]

Nominated MCA [ ]

5. Which county do you come from? _______________ County

6. Please indicate the level of service delivery by the county government on the below listed areas. Use the following rating (1 = Very Poor, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent).

| Service Area | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Education | | | | | |
| Health | | | | | |
| Infrastructure development (e.g roads, lighting) | | | | | |
| Water | | | | | |
| Sanitation | | | | | |
| Garbage Collection | | | | | |
| Agriculture extension services | | | | | |

7. Is the revenue allocated to this county adequate for the county to meet its service delivery responsibilities?
   - Very inadequate [ ]
   - Inadequate [ ]
   - Neutral [ ]
   - Adequate [ ]
   - Very adequate [ ]

## SECTION B: BUDGETING PRACTICES

1. Please indicate your level of agreement to the statements listed in the table below in relation to budgeting practices applied by the county government. The rating is as follows:

   1- Strongly disagree 2 – Disagree 3 – Neutral

   4 – Agree 5 – Strongly agree

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The budgeting process in the county is inclusive and wide consultations take place | | | | | |
| Citizens participate in the budgeting process to ensure that important issues are given priority | | | | | |
| Enough resources are allocated to various projects based on clear criteria understood by stakeholders | | | | | |
| The budgeting and planning process is realistic and practical | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Budgets are adhered to when it comes to spending | | | | | |
| Value for money is a key concern in budgeting process in the county | | | | | |
| Addressing marginalization and inequalities are key concerns in the budgeting process | | | | | |
| Budgets for previous years and their actualizations informs the future years budgets | | | | | |

2. What improvements in budgeting and planning would you recommend to the county government so that to enhance service delivery?

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________

**SECTION C: REVENUE MOBILIZATION PRACTICES**

1. Please indicate the level of agreement to the following statements on revenue mobilization practices applied by the county government. Use the following ratings and tick or cross where appropriate.

1- Strongly disagree 2 – Disagree 3 - Neutral

4 – Agree 5 - Strongly agree

| **Statement** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Revenues generated by the county government are adequate for both recurrent expenditure and development projects | | | | | |
| Revenue collection practices adopted by the county government are cost effective and efficient | | | | | |
| Revenue collection practices in the county are transparent and there is no corruption involved | | | | | |
| Residents and businesses do not complain of taxes obtained from them | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| There are no conflicts between national government and the county government in revenue mobilization | | | | | |
| The county gets revenues allocated from the national government in time without delays | | | | | |
| The county has been able to supplement the revenues it gets from the national government through local revenue sources | | | | | |

2. What improvements in revenue mobilization and collection would you recommend to the county government?

_______________________________________________________________________________

_______________________________________________________________________________

_______________________________________________________________________________

________________________________

**SECTION D: AUDITING PRACTICES**

1. Indicate the level of agreement to the following statements on auditing practices adopted by the county government. Use the following ratings and tick or cross where appropriate

1- Strongly disagree 2 – Disagree 3 - Neutral

4 – Agree 5 - Strongly agree

| **Statement** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| There are annual audits on how public finances are utilized | | | | | |
| The audit reports are made public | | | | | |
| Audit reports are utilized and lessons learnt are applied in subsequent years | | | | | |
| Any public official who is found to have misappropriated public finances through audit is punished | | | | | |
| Auditing helps the county by moving county officials into action on areas that are reported to have issues | | | | | |
| Auditing draws authorities' attention to specific problems which they take remedial action upon | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Auditing in the county government is performance based and seeks to establish whether funds are used optimally but not just establishing whether rules were followed | | | | | |
| The county has internal auditors who continuously perform audits on state finances | | | | | |
| The county hires auditors with requisite skills and experience | | | | | |

2. What improvements in auditing would you recommend to the state government.

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________

**SECTION E: REGULATORY PRACTICES**

1. Indicate the level of agreement to the following statements on financial management governance practices adopted by the county government. Use the following ratings and tick or cross where appropriate

1- Strongly disagree    2 – Disagree    3 – Neutral

4 – Agree    5 – Strongly agree

| **Statement** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| There are rules and regulations that help curb wastages and corruption in managing public finances | | | | | |
| The rules and regulations are adhered to and those who break them are punished accordingly | | | | | |
| There are clear regulatory framework that clarifies how the public funds are to be utilized for better service delivery | | | | | |
| The laws on governance are strict which ensures that punitive action is taken against officials who misuse public funds | | | | | |
| Officials who misuse public funds lose their status and are prosecuted | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The county attracts suggestions from private, NGOs and other stakeholders on how to promote good practice and supporting the home-grown improvement strategies of county service providers | | | | | |

2. What improvements on governance in county financial management would you recommend to the county government?

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

________________________________

**‘Thank you’**