FINANCIAL MANAGEMENT PRACTICES AND COUNTY GOVERNMENTS' FINANCIAL PERFORMANCE OF MAKUENI COUNTY, KENYA

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ABSTRACT

There continue to exist challenges in the Kenyan County Governments' financial performance despite the efforts put in place by the Ministry of National Treasury and Economic Planning to improve the County Governments' financial performance. This is evidenced by the late submission of financial reports to the Controller of Budget by the County Treasuries, underperformance in own source revenue, presence of high pending bills at the end of each Financial Year, Low absorption of development budget and the failure to submit financial and non-financial reports for the established County Public funds. These aspects undermine the efficient financial performance of the County Governments. The study targeted to ascertain how Financial Management Practices impact on the County Governments' financial performance with the objectives being to ascertain how financial management practices, financial reporting, financial planning, and control activities affect the County Government's financial performance. The theories employed in the research were the positive accounting theory, agency theory, stewardship theory and the fraud triangle theory. Descriptive research design was applied on all One hundred Makueni County Treasury staff members. First hand data was gathered through administering an online questionnaire using Google Forms. Data analysis was done using SPSS version 25 and MS Excel 2016. Data was presented using charts and tables. The adjusted R-squared 45.7% of financial performance is explained by financial reporting, financial planning and control activities. The p-values are less than 0.05 implying that financial reporting, financial planning and control activities are significant in explaining financial performance in Makueni county. The study concluded that financial planning, financial reporting and control activities influence financial performance of County governments. The government should ensure that all the employees adhere to the financial management practices to enable the government function effectively and improve on the financial performance. This will ensure that the resources are used prudently and that objectives of government are achieved.

Keywords: Control activities, Financial management practices, Financial performance, Financial planning, Financial reporting, Operating deficit/ surplus.

INTRODUCTION

County Governments were promulgated in 2013 as per the Kenyan constitution. Decentralization allowed Counties to develop policies and plans, raise revenue, implement approved budgets, ensure accountability of funds, carry out auditing, involve citizens in decision making through public participation as well as to carry out monitoring and evaluation

procedures (Nyanjom, 2011). The County Governments play a very important role in the growth of the nation and therefore must function financially well (Ochara, 2010). Despite the efforts made by the National Treasury towards improvement of Counties financial performance, County Governments are yet to hit the expected performance. In the first year of implementation of the County budgets in the financial year 2013/14, the Counties expenditure performance was lower than the budgeted amounts. The Financial Year 2021/22 first half report of the Controller of budget highlighted that the Counties had absorbed 37.1% of the monies allocated for development and 62.9% of the recurrent budget, they had achieved Kshs. 14.06 billion or 24.3% collection of own source revenue against an annual target of Kshs 57.80 billion and that only two Counties had realized 50% of their Own Source Revenue that is Homa Bay at 56.3% and Migori (50.8%) counties (COB, 2022). Makueni County Government absorbed 66% of the allocated funds in the first year of devolution with the highest absorption rate for the County Government being 86% (Makueni County Performance Management report 2021). The County Government of Makueni has been recording revenue shortfalls in every financial year with the current revenue shortfall being Kshs 1,130,103,725 for the Financial Year (FY) 2020/21, Kshs 1,629,758,936 for FY 2019/20 and Kshs 1,130,103,725 for FY 2018/19. The County Government of Makueni pending bills for 2018/2019 was Kshs 8,500,000, Kshs 274, 800,000 for 2019/2020 and Kshs 174,669,339 for 2020/2021(Auditor General reports 2021). Despite the low revenue performance and pending bills for each year, The County statement of receipts and payments recorded a surplus of 6.98% of total budget in FY 2020/21, 11.23% of the total budget in FY 2019/20 and 16.3% of budget in FY 2018/19 (Auditor General Reports 2021).

Studies show that increased internal control monitoring and reports results to improvement on quality of financial reporting (Beatty, 2016). Various studies have been done on Public financial management Practices and Financial Performance but no study to find out how financial management practices influence the County Governments' financial performance of Makueni County, Kenya.

The Study objectives were to find out the influence of financial reporting, financial planning and control activities on Makueni County Governments' financial performance. The Study will identify best practices and gaps on proper Financial management practices that County Governments need to implement to ensure improvement in financial performance. The study will inform the Commission for Revenue Allocation, the Kenya Revenue Authority and office of the Attorney General on the County's financial management gaps and help formulate specific policies and guidelines to enhance prudent financial management in the County Governments. The study will also guide Accounting officers to embrace holistic cycle in planning, budgeting and utilization of county resources. The research will form a body of knowledge and the findings used as empirical literature in future studies by scholars seeking to handle Financial Management Practices and Financial Performance.

LITERATURE REVIEW

Theoretical review

Positive Accounting Theory

The Positive Accounting Theory was developed by Watts and Zimmerman in 1986 as a result of the dissatisfaction from the normative theory. The theory presupposes that the goal of accounting theory is to forecast and clarify accounting processes. The idea aims to explain a process utilizing aptitude, comprehension, and accounting knowledge. The idea makes use of accounting principles that can be applied under certain circumstances in the future. Three opportunistic hypotheses form the foundation of the positive accounting theory.

The bonus plan hypothesis is the first theory. According to this, managers that have bonus plans choose for accounting techniques that change how reported earnings are reported from one period to the next when all other variables remain the same. Since all managers want high returns, they are likely to increase their bonuses by reporting higher net income as possible if their compensation depends on the bonuses reported on such income. This can be achieved by for example, choosing an accounting policy that will result to the highest declared profits at a particular time.

The second hypothesis is known as the debt contract hypothesis. This hypothesis states that all other factors constant, the company manager chooses an accounting policy that changes the reporting earnings from the future to the present. This happens when the company is getting close to violating accounting based on management of debt. The reason behind this decision is that the profits reported will reduce as a result of technical negligence. The political cost hypothesis is the third theory. According to this theory, if all other variables remained the same, the corporation was more likely to opt for an accounting approach that forgoes reporting earnings from the present to the future. The companies are able to convince the state that their profits are declining and that they need to protect their businesses if they cannot use political influence to do so.

This theory informed the financial reporting, financial planning and internal control variables. This theory was used to explain why County officials made decisions on which internal control measures to adopt, what to consider during planning and some aspects of financial reporting

Agency Theory

The primary agent problem or the governance mechanisms serve as the foundation for the agency theory developed by Jensen and Meckling (1976). This theory is premised on economic idea of risk sharing between two parties who could employ various techniques to problem-solving. The principal in this context desires high profits which make him pass responsibilities to the agent to achieve their goals. This behavior makes the agency yield to the results specified by the principal. The problem with the agency is that selfish agent interests may influence them not to act in the best principal's interests (Burnham, 1941). This may cause a problem and change the cost of the agent. At the start of the agreement, the costs of the agent are clear to

the principal but when the agent acts against the principal it is assumed that they have assumed more risks. Agency theory presumes that the agent is likely to take the actions the principal desires as their own (Fama & Jensen, 1983). If the agent behaves otherwise there ensues another problem of asymmetric information which makes it hard for the principal to keep on check the agent's behavior.

A principal and agency relationship exists in the aspects under investigation between the County Government and citizens, the County Government and tax payers (revenue producers), and the national government and County Government (recipients of public service). Through reports, county residents can monitor both branches of government and ask questions about any violations of procedure that could indicate money misuse and deprive them of essential services (Adams, 1994). According to this notion, the governor and deputy governor are chosen by the county's citizens to lead. The county executive members are among the officials that the governor appoints to lead various departments within their respective functions.
A County Governments' ability to manage expenses in carrying out its mandates and effectively use the resources and assets at their disposal will be gauged through financial performance management. The county's citizens can therefore evaluate the financial performance of their Counties.

Stewardship Theory

A steward is obliged to protect and maximize the wealth of the shareholder through ensuring the firm performs well in its financial obligations. This theory encourages the top government officials as stewards to integrate their goals as part of the holistic government plan (Donaldson & Davis, 1991). This aims at reducing the idea of operating as a silo and encourages one government approach in execution of the government mandate.

As stewards, the county treasury officials who are in charge of financial management are satisfied when the organization performs in financial matters. The theory takes cognizance of the importance of empowering the stewards to offer autonomy which is built on trust Argyris (1973). In the acting in autonomy, the stewards are able to maximize the returns on financial performance. This in return reduces the cost of the organization in controlling and supervising the employees. The executives in return are encouraged to make decisions to maximize the financial performance of firms.

This stewardship theory is used to explain how financial officers, who serve as stewards, assume accountability, own their roles, and strive diligently to produce the best results. Such efforts lead to better delivery of everyone's mandate and consequently a higher financial performance rating for the County Government. Stewardship theory leads to increased trust and enables that the executive is keen on safeguarding the interests of the citizens and the ultimate goal of the government improving financial performance.

Fraud Triangle Theory

Donald Cressey (1953) developed a triangle known as the fraud triangle focusing on people who embezzle resources. One side of the triangle explains the perceived non-shareable

financial need. The first leg is caused by pressure of non-sharable financial problem which makes a trusted person commit crime when they believe that they have the problem at hand. The second side represents perceived opportunity. In this case when an employee has the non-sharable financial problem and he perceives that there is an opportunity for him to commit a crime without anyone finding out about it. According to Cressey there are two components of perceived opportunity which include the general know how and the technical capacity. The third side represents rationalization. This is the factor that enables one to complete the act of fraud. It enables him to understand his behaviors as illegal and helps him maintain his trusted position.

All the three legs of triangle must work for the fraud to be done. The pressure from the financial need makes one want to commit crime to meet the need. The general knowledge enables the fraudster understand that his/her action could mess his trust. The technical knowledge makes him know how to maneuver being caught. As part of the crime's motivation, rationalization is a crucial element. The criminal defends his activities before carrying them out and does not see himself as an embezzler. The theorist found out that the embezzlers rationalize their actions and terms them as non-criminal actions which can be justified as irresponsible behaviors which one is not responsible for. He also found out that the rationalization used by violators of trust are linked their positions and the manner of committing the crimes.

Cressey's fraud triangle explains characterizes that tend to increase the chances of fraud occurrence. The fraud triangle makes an attempt to explain the characteristics of occupational offenders, although it does not do so explicitly for all of them. Many academicians have tested the fraud triangle theory but however it still has not found its way in practice in terms of development of fraud prevention measures. The fraud triangle theory is relevant in explaining how financial management practices are violated and what motivates their violation. This theory explains why county officials would not adhere to set internal controls, why they alter financial statement figures while reporting or why planning and budgeting may not be objective as it should. There have been radical changes in the occupations and how people view and treat trust and violation of trust and the committing of fraud. This theory needs to be revised and updated.

Empirical review

Financial reporting and financial performance

Nnadi (2013) considered high-quality financial reporting and the financial performance of emerging economies in China and Hong Kong. Cross-sectional research methodology was applied in the study. Ten years' worth of financial performance are examined. He concluded on a conflicting relationship for the financial performance and the accuracy of financial reporting and demonstrated that the reported financial reports across various regions differ significantly. The study's primary focus was only on the financial reports quality dismissing other qualities. This prompted a need to undertake this research in Makueni to determine how other aspects of financial reporting such as understandability, timeliness and comparability affect financial performance.

Kaseri et.al, (2014) studied how quality financial reporting affect banking quality information in Nigeria. The study used longitudinal research design which studied 20 banks across a duration of six years. It was reported that timely reporting of losses, fraud, the valuation approach and management of earnings have a positive correlation with quality of banking information. This study ignored other aspects of financial reporting. The current study seeks to determine how understandability, timeliness and comparability of financial reports affect financial performance in a government setting.

Azevedo et al, (2015) reviewed financial performance and financial reporting linkage. The study adopted meta-analysis and found out that quality financial reporting enhances the financial performance and reduces on asymmetric information risk. Naghshbandi and Ombati (2014) carried out a research study to investigate issues and challenges facing financial reporting quality in Kenya. The study findings indicated that skills and competence levels were hindrances to adopting the right financial reporting tools. Different levels of compliance policies, different organizational cultures and structural and ownership differences were noted to be the major factors affecting quality reporting. The challenge facing Kenyan financial reporting quality were the main subject of this study. Exploring other aspects of financial reporting would seal the voids identified.

Kwasira et al. (2015) investigated factors influencing quality of financial statements on a sample of Nakuru-area commercial banks. The positive accounting theory and agency theory were adopted. Descriptive design was employed on 164 respondents sampled from all Nakuru banks. It was concluded that computerized accounting, internal talent development, and professional development within the banking industry all positively and significantly correlate with the caliber of financial reports. This study focused on one aspect of financial reporting specifically in banks and did not establish how this quality affects financial performance of the banks and left out other characteristics of financial reporting. Various aspects of financial reporting were explored to seal the loop holes identified.

Financial planning and financial performance

Obwaya (2011) carried out research to see how the Nairobi city council's performance was affected by the participatory budgeting procedure. Descriptive study design was used and had 44 respondents sampled from the city council employees. A close link was identified between the effectiveness of the municipal council and participatory budgeting. This study dealt with participatory budgeting, a single aspect of financial planning and its influence on general performance and left out other indicators of financial planning. This current research carried out seeks to close this gap by looking on two aspects of financial planning which are adherence to budget estimates and linkage of plans to budget and their expenditure and their effect on financial performance.

Anohene (2011) conducted research to ascertain how the budgeting process affected Ghanaian local governments' financial management procedures. Descriptive research design was employed and purposive samplings to get 50 respondents out of the budget committees. Questionnaires administered to collect data showed that, ninety 90% of respondents

acknowledged the existence of budget control procedures while 92% indicated that budget variations influenced financial performance. The study established that the budgeted revenue was less than the actual budget and this variation influenced financial performance. This study used purposive sampling which is bound to give bias information and considered only a single facet of the financial planning. A focus on two other areas of financial planning will be explored and information from all finance officers in the government considered to reduce bias.

Oktavia (2017) conducted a study to look into how performance-based budgeting affected Nigerian local governments' financial standing. She employed descriptive research design in the study. Secondary data derived from financial reports and papers were used. Accordingly, it was noted that implementation of performance-based budgeting impacted considerably on financial performance. Challenges of budgeting identified to influence financial performance included; corruption, mismanagement of resources, embezzlement of resources and challenges of revenue collection. While secondary data was used with a focus on one programme based budgeting and how it affects financial performance, primary data will be used and focus done on adherence to budget and linkage between budget and expenditure and how their effect on government financial performance.

Mbugua (2013) conducted research to ascertain how Kenyan water sector organizations' performance was impacted by the budgeting process. The research studied the water service provider's financial performance in the financial year 2010/11. Emphasis was laid on budgeting approaches, budget planning, participatory budgeting and budget controls. The study findings concluded that budget planning and participatory budgeting were crucial components that ought to be encouraged to enhance performance of water service providers. The research focused on organizations in the water sector alone and only the approach to budget and budget planning. The current research seeks to focus on all sectors of the County Government and will seek to establish how adherence to budget estimates and linkage of plans to budget and expenditure affect financial performance in County Government. The study also focused on one financial year compared to the current one that will consider performance over a duration of eight years.

Control activities and financial performance

Masui (2013) considered internal controls and financial performance of the Morogoro municipal council in Tanzania. Data collected by means of interviews and questionnaires were used alongside information from secondary sources such as reports. Weaknesses of the control activities identified were that there was unauthorized access to the cash office, access to the payment vouchers by unauthorized personnel, the payment process skipped some crucial procedures and the files containing financial information moved around without tracking. Challenges of the internal controls formed the main area of focus while this study seeks to establish how control activities such as adherence to payment procedures, protection of accounting documents and information and approval by relevant authorities influence financial performance.

Chacha (2013) conducted research to identify the various internal control techniques used by Tanzanian local governments. The study used frequency distribution and came to a conclusion that many respondents, 59%, felt that the financial control mechanisms were weak with only 7% indicating that the internal control mechanisms are strong. 93% of the residents agreed that the expenditure was authorized by the designated officers and fifty-four percent disagreed on the expenditures been properly analyzed and vouched for. Chacha's study found out that some expenditures had missing supporting documents and other expenditure had completely no supporting documents. This study used the frequency distribution only to explain the findings and focused on the internal control mechanisms which are applied and did not establish how these mechanisms influence financial performance. The gaps noted were closed by doing descriptive study design and use of linear regression methods to analyses the findings.

Arikpo (2010) conducted a case study in order to analyze the internal control systems in the financial administration of the local governments in Nigeria". Qualitative research methodology was considered while review of documents and interview of finance staff adopted to get the required information. Content analysis was adopted and found out that some of the challenges in the internal control include; unauthorized variation in contract payment non-payment of mobilization fee for job done, non- collection of revenue, failure to raise audit queries and inadequate documentation for payments. The study used qualitative research methodology, review of documents and interviews. Challenges of control activities on financial performance were given ultimate concern. This current study seeks to use both quantitative and quantitative research methodology and will use a google form questionnaires in gathering the data. Targeted respondents will be sampled from all staff in all departments in Makueni County. The study will seek to establish how control activities influence financial performance. Internal control components on financial accountability of elementary schools done by Aristanti (2015) focused on the control environment, control activities and monitoring. Cross-sectional research design and semi- structured questionnaires were used by the researcher. The findings indicated that these components have a strong positive correlation with financial accountability. This study focused on internal controls in schools' financial accountability and did not establish how the internal controls influence financial performance that this study will seek to address.

Financial management practices and financial performance

Golda (2013) said, putting strong financial management methods into practice gives government organizations a competitive advantage in the fast-paced financial industry. The government institutions can recognize their advantages, risks, limitations, and possibilities thanks to good financial management procedures.

Manyani & Maseko (2011) stated that financial reporting provides government institutions with information on how resources have been used. The financial planning is important as it allows the government to efficiently allocate resources. Control activities allows the government to have checks and balances on the prudence on the use of financial resources.
In his research on financial management techniques and SME financial performance in Kericho, Benard (2019) established a substantial and significant correlation for two aspects. The effective implementation of FMPs leads to better SMEs performance. This is as a result of

having organized, reliable and transparent financial management both in short and distant future.

Nthenge (2017) conducted research on financial management methods covering the working capital management, investment choices, financial choices and the financial results of Kiambu SMEs. Descriptive research design and self-administered questionnaires were employed. It was concluded that the variables considered correlated positively with the financial performance. While examining FMPs and financial performance it is worth noting that there are intervening variables that may not cause a direct and strong impact on the government institution (Kitonga, 2013). These variables include organization size, the degree of autonomy as well as the extend of exposure. In this study, these variables will be ignored.

Conceptual Framework

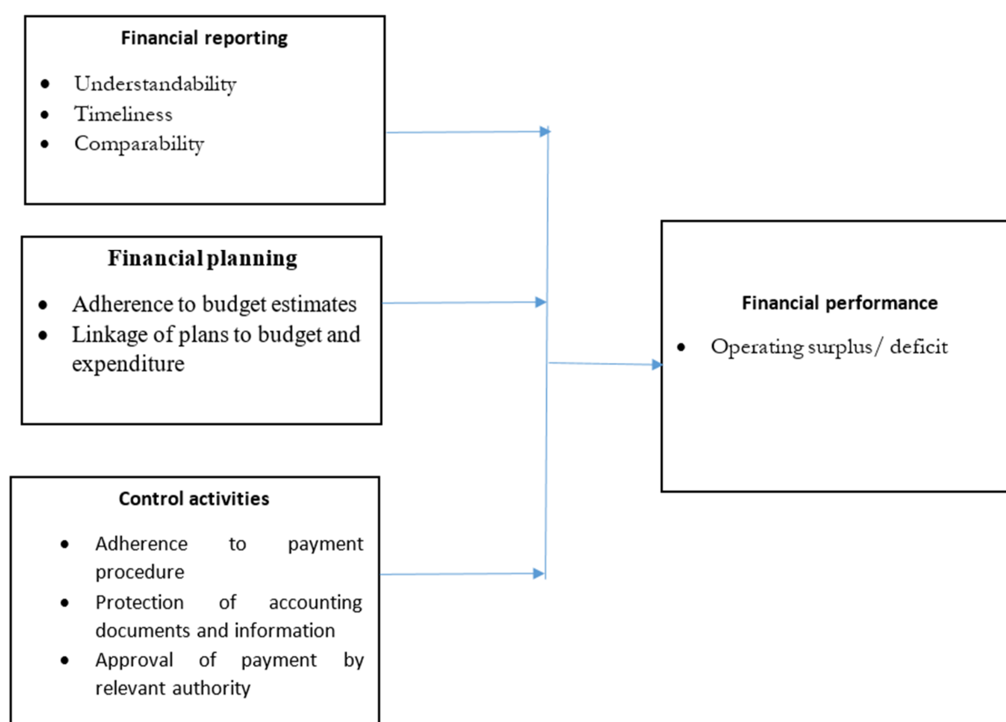

Figure 2.1: Conceptual framework

RESEARCH METHODOLOGY

The study employed descriptive research design. The study population was made of the 100 staff of Makueni County Treasury. The census method where all the target population was used for purpose of getting the responses was adopted. The extent to which the sample, the available population, and the target population are similar on important characteristics will impact how successfully study findings may be generalized Mugenda & Mugenda (2012). Primary data was collected through administering questionnaires online through google forms and a link shared to the sampled officers through WhatsApp and SMS. County financial statements since

2013/2014 financial year to 2020/2021 financial year were analyzed to provide the secondary data guided by a document review guide. A pilot study was done on ten respondents representing 10% of the sample size to determining reasonability and dependability of the data gathering instrument. Kothari (2013) indicated that 10% of the considered sample size is enough for a pretest to be conducted. Validity was determined through drawing meaningful and appropriate interpretation of information gathered by carrying out data analysis and through construct validity which measured the extent of adherence to existing theory and knowledge of the concept being measured through expert opinion (Christensen, 2017). Reliability was considered throughout the process of data collection by ensuring that results were precise, stable and reproducible. The conditions for the research were standardized and the method for data collection was consistently applied. Cronbach's alpha was considered to ascertain the reliability level where a value of at least 0.7 is acceptable (Muasya, 2017).

Data Analysis was done using the SPSS software to perform all computations, create tables and charts, generate output for the study's interpretation and setting of statistical parameters. Descriptive statistics were employed for analysis with the use of charts and tables alongside prose explanations.

The regression model applied was;

$$Y_0 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where;

Y_0 is financial performance

β_0 is constant, β_1, β_2, β_3, study variables coefficients

X_1 is financial reporting

X_2 is financial planning

X_3 is control activities

e referring to the residual term

Kolmogorov-Sminorv and the shapiro-wilk tests were used to test for normality. the Variance Inflation Factor (VIF) was employed to determine multicollinearity while the Breusch Pagan test was used to test for heteroscedasticity. The research upheld the right to privacy, anonymity, confidentiality, informed consent and voluntary participation.

RESEARCH FINDINGS AND DISCUSSION

Financial Reporting

The study findings indicated that financial reporting influences the financial performance of the County Government to an extend of 81.3%. Ninety-two point two percent, 92.2% believed that financial reports are done in accordance to the financial reporting standards in Makueni county while 78% confirmed that financial reports are done in a timely manner. The study findings further indicated that 74.1% concurred on the accuracy of financial reports and 16.9% strongly agreed, 40.3% agreed, 35.1% were neutral and 7.8% disagreed that the financial reports can be understood by non-finance people. Financial reports were indicated

to be neutral by 74.1% of the respondents and 89.6% of the respondents indicated that it was possible to compare reports of different Financial Years.

Financial Planning

Eighty-Seven Percent (87%) of respondents expressed that financial planning affects financial performance of the county with the same number, 87% of the respondents expressing that financial plans prepared cover the entire planning period expenditure and revenue projections. While 72.8% agreed that the financial reports are feasible, 85% indicated that plans were prepared in good time, 81.8% affirmed that financial plans are prepared in tandem with the County Government development plans, 71.5% of the respondents felt that financial planning was done in consultation with all relevant stakeholders while 84.5% indicated linkage between financial plans, budgets and expenditures

Control activities

Seventy-six point seven percent (76.7%) concurred that control activities influence the financial performance of the County. 83.1% supported the existence of a functional internal audit unit with 61.3% and 55.9% citing the effectiveness and efficiency of the internal audit unit respectively. Implementation of the internal audit unit recommendations are actioned by relevant actors at 50.70% and the unit audit had helped streamline financial management processes by 57.2%.

Financial Performance

Secondary data indicated that Makueni County Government has been having a surplus in the financial years 2014/2015, 2015/2016, 2017/2018, 2018/2019, 2019/2020 and 2020/2021 with a deficit in the Financial Year 2026/2017.

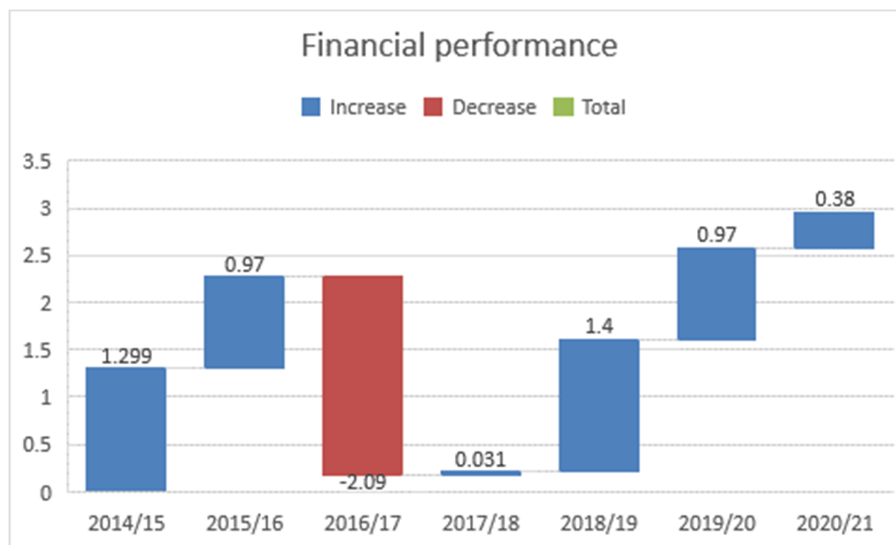

Figure 4.1 Financial performance. Source: Makueni County Government 2022

The independent variables which include the financial reporting, financial planning and control activities are significant in explaining financial performance in Makueni county. While holding the predictor variables constant, Makueni County financial performance is 8.975. The predictor variables considered significantly explain the financial performance in Makueni county. The analysis presents that, if financial reporting, financial planning and control activities changed by a unit it would result to a change of 0.333, 0.567 and 0.478 respectively in the financial performance of Makueni County. This indicates that the more effective the Control activities, financial reporting and planning are, the better the financial performance of the County. A conclusion that is in tandem with Asegdew (2016) that proper financial reporting influences financial performance of manufacturing companies. The illustrative model being; $Y_0 = 8.975 + 0.333 X_1 + 0.567 X_2 + 0.478 X_3$

Where Y_0 =Financial Performance, X_1- Financial Reporting, X_2- Financial Planning and X_3- Control Activities

Table 4.1: Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.975	.000		.000	1.000
	Financial reporting	.333	.000	.328	136484116.119	.000
	Financial planning	.567	.000	.365	147240599.544	.000
	Control activities	.478	.000	.426	230196926.666	.000
a. Dependent Variable: Y						

Source: (Author, 2023).

The model summary in table 4.2 demonstrates the coefficient of determination as indicated by Adjusted R square to be 0.457 implying that 45.7% of financial performance is defined by financial reporting, financial planning and control activities

Table 4.2: Overall Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615a	.379	.457	.48379
a. Predictors: (Constant), Financial Reporting, Financial Planning and control activities				

Source: Author (2023).

ANOVA was used to show the overall model significance and Financial Planning, Financial reporting and Control activities are considered to be jointly good predictors of financial performance, ($F = 37.062$ and p value <0.05).

Table 4.3: Overall ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.826	4	8.206	37.062	.000b
	Residual	53.832	230	.234		
	Total	86.658	234			
a. Dependent Variable: Y, b. Predictors: (Constant), X3, X1, X2						

Source: Author (2023).

The coefficients presented in table 4.1 shows all the predictor variable coefficients as positive and strongly significant. The value of Beta (β) was also positive for all the predictor variables an indication of a relationship among the variables. Assuming that all the predictor aspects do not change, the financial performance value was 8.975 rejecting the null hypothesis. Conclusively, the three independent variables (Financial reporting, planning and control activities) significantly explain the Makueni Count Governments' financial performance. The results therefore (p=0.333, β= 0.328) confirm the significant contribution of financial reporting to the dependent performance aspect of Makueni County. This concurs with results by Kaseri et.al, (2014) that timely reporting had a positive contribution to the Nigeria banks' financial performance. The financial planning results (p=o.567, β= 0.365) indicate that Makueni County Financial performance significantly influenced by financial planning practices. This is in agreement with Oktavia (2017) performance based budgeting and financial performance of the local governments in Nigeria that implementation of performance-based budgeting impacted their financial performance favorably and considerably. Control activities influence the financial performance of Makueni County (p=0.478, β= 0.426). This agrees with Aristanti (2015) findings that control activities have a strong positive correlation with financial accountability and Masui (2013) findings that, weaknesses of the internal control system affected the financial performance of the Morogoro municipal council.

Conclusions and Recommendations

Financial reporting is essential in ensuring that there is good financial performance in County Governments. Efforts employed to achieve timeliness in preparation of financial reports as well as ensuring that they are neutral were key. The financial reports for Makueni County Government were done in accordance to the specified standards and could be used by all intended recipients with ease. All these aspects contributed to the enhanced financial performance of the County.

Financial planning enables the government to use its financial allocations effectively and efficiently to serve the citizen. Importantly, the County Government prepares plans that cover the entire planning period expenditure and revenue projections. Proper financial planning done in consultation with all stakeholders is feasible and ensures linkage between financial plans, budget and expenditure. As a result, financial planning determines the financial performance of the CG of Makueni. Financial Planning recorded the highest positive correlation of 0.915 out of the 3 variables studied. County governments should seek to enhance measures to ensure adherence to budget and linkage of plans to budget and expenditure alongside the financial reporting and control activities aspects. Further, the County Government should embrace

holistic financial planning focusing on proper utilization of the scarce financial resources to ensure optimization of the County goals. Awareness should be done to all stakeholders on the plans, budget and expenditure linkages.

Control activities are significant in explaining the financial performance in makueni county. A functional internal audit unit, an efficient audit process and implementation of the recommendations of the audit reports improves the financial performance of the government. The internal audit helps streamline financial management processes. The controls put in place ought to be adhered to and audit committee recommendations implemented with periodic implementation reports prepared for discussion and adoption by the cabinet. County oversight bodies including the Commissioner of Revenue Allocation, Kenya Revenue Authority, Office of the Auditor General should formulate policies and institute measures that help strengthen the Counties internal control activities and environment. Further, the bodies should enforce timeliness, accuracy, completeness of financial reports and integrate all financial records and stakeholders in the financial reports. This will enhance the report accuracy and details necessary for decision making thus financial performance.

The Financial performance of the County recorded a surplus except for a deficit recorded in one Financial year that is FY 2016/2017. Finance and Revenue officers/managers and employees should work to enhance revenue collection and expenditure as per the budget and focus on achieving the mandate of the government within the specified timelines.
Further studies covering other different aspects of financial management practices in Makueni County and other counties can be explored, an evaluation of the effectiveness of the FMPs in the County can also be undertaken. The influence of IPSAS Cash reporting on the quality of the County Governments financial statements as well as the Effect of IPSAS accrual adoption by counties can be explored.

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