EFFECTS OF BUDGETARY ACCOUNTING TECHNIQUES ON THE MANAGEMENT OF FINANCIAL RESOURCES AT THE COUNTY GOVERNMENT OF KAKAMEGA.

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ABSTRACT

Available information reveals that management of public financial resources at the county government has continued to dwindle despite implementation of efforts to their budgets with its inherent control features. Budgetary Control refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. It is a process for managers to align financial management goals with budgets, compare actual results and adjust performance. Management of public financial resources at county levels in Kenya still remain a challenge as often reported by Office of the Auditor General where a majority have been found to; be operating on negative working capital, uncontrolled capital expenditure, fraud among others. The main objective of the study is to establish the Effect of Budgetary Accounting Techniques on the management of public financial resources at the county levels in Kenya. The specific objectives guiding the study were; to establish the relationship between Planning and management of public financial resources at county level, to establish the relationship between Control and management of public financial resources at county level, to establish relationship between Revenue Optimization and management of public financial resources at county level. It was guided by a conceptual framework relating the variables of study. The study was premised on theories such as; Theory of Budgeting, Budgetary Control Theory, Fund Accounting Theory and Stewardship Theory. Questionnaire were distributed targeting; Economic planning department, Revenue department and County treasury department. Data was elicited from selected respondents using structured questionnaire whose content validity and reliability were checked. Descriptive and ANOVA methods were used to analyse data. Chi-square method was used to determine existence of significant relationship between independent and dependent variables at x^2 0.05 (95% confidence level). The results indicated existence of a significant relationship between Budget Planning, Revenue optimization, Budget Control and Management of Financial resources at the county levels in Kenya as exemplified by X^2 values of; 4.94 and 9.15 respectively. The findings of the study may guide policy makers in underscoring the value of Budgetary Accounting Techniques on Management of financial resources at county level and other organizations. It would also go a long way in forming a basis for future similar research studies.

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LIST OF ABBREVIATIONS

ANOVA- Analysis of Variance

OCOB- Office of the controller of budget

BC- Budgetary control

ZBB- Zero based budget

PFM- Public finance management

CHAPTER ONE

INTRODUCTION

1.1 Background of the study.

The need for better management of financial resources of county government in Kenya requires proper financial budgeting in order to perform county operations effectively,(Nyongesa A, Odiambo A. and Moses N. 2016).County government resources are limited and budget provides a means to allocate resources among competing operations (Ronald,Frank and Michael 2008).Most counties in Kenya do not effectively apply budgetary control techniques on financial resources (Nelson and Miller 2008).In absence of budgetary control, many counties spend all of their time dealing with daily demands. According to Garrison and Norren (2000), the budgeting process provides a means of allocating resources to those parts of the organization where they can be used most effectively.

With the new constitution of Kenya promulgated in 2010, offices and government institutions have established in regard to management of public funds. The independent office of the controller exercise budget control in authorizing withdrawals from public coffers as per the stipulation of the constitution. The office of the auditor general ensures that the accounts of all funds and authorities of national and county government and accounts of the national and county government are audited and reported to the parliament.

Budgetary control is the process of developing a spending plan and periodically comparing actual expenditure against that plan to determine if the spending patterns and need adjustment to stay on track (Dunk 2009). Budgetary control is a system of controlling cost which embraces; preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Brown and Howard 2002).

In other words, budgetary control is a process for managers to align financial and performance goals with budget, compare the actual results and adjust performance (Maina 2017). Budgetary control therefore relates to the use of budget as a control device whereby predetermined plans or standard output, income and expenditure are compared with actual attainment so that if necessary, corrective actions may be taken before it is too late (Nwoye 2015).

As a tool for measuring performance of financial resources, budgetary control provides comparison between the budget target and actual targets and deviations determined. Performance of each department is reported to the top management which enables introduction of management by exception (Thuita and Kibati 2016).

According to Carr and Joseph (2000), budgetary controls helps management teams in making future plans through implementation of short-term plans and monitoring activities aimed at conforming to those plans. They further state that effective implementation of budgetary control techniques is a guarantee for effective implementation of budgets in the firm. Budgetary control techniques reflect financial implication of a business plan as well as identifying the amount, quantity and timing of resources needed (Shield and Young 1993).

1.1.2. County Government

According to Pundit (2016) some of the objectives of budgetary control are; to plan, which is the most important feature of budgetary control because management is forced to look ahead, set target, anticipate problems and give the organization purpose and direction, to communicate ideas and plans to everyone affected by them as it is necessary, to coordinate the activities of different department or sub-units of the organization. This implies that for example, purchasing department should base its budget on production requirement and that production budget should in turn be based on sales expectation, to establish system of control by having a plan against which actual results can be progressively compared and finally, to motivate employees to improve their performance.

Neely (2001) did a study on weakness of budgetary control. The study based on review on empirical literature from similar studies. The findings included weakness such as; restraining of responsiveness and acting as barrier to change, budget are rarely strategically focused and often contradictory, they did little value especially given the required to prepare them, they concentrate on cost reduction and not value addition, they do not reflect emerging network structure that organization are adopting, they encourage gaming and perverse behaviors, they reinforce departmental barriers rather than encourage knowledge sharing and make feel undervalued.

Prendergast (2000) identified three main problem associated with budgeting. First, a lot of guess work involve in budgeting process. Secondly, budgets are increasingly inaccurate as a result of shorter product life cycle and rapidly changing business environment. Finally, there is the extend of budget gamesmanship. He argues that over the year, budgets have resulted in a conflict between top management and their subordinates. While top management attempt to get the best out of their staffs subordinates on the other hand work to build stack in their budget in an effort to make budget numbers easier be attain. This could lead to budget slack.

1.2. Statement of the research problem

The devolve government in Kenya were incepted in April 2013 after the general election and as provided for by the constitution of Kenya 2010 (Ondigi 2013). Majority of centralized government function have so far been devolved to the county government. However, in spite of collecting revenue from their jurisdiction, none of the county government is financially stable and they rely on the disbursement from the central government. It has been stated in some quarters that these governments lack the requisite capacity to run the operation devolved to them as they lack necessary skills to develop budgets that optimally reflects their revenues and expenditures (Ondigi 2013).

Audit reports by office of the auditor general county government in Kenya have reflected them as having enormous financial challenges such as operating on negative working, excessive fraud, flaws in procurement procedures and lack of value for money in their expenditures. This call for the need for county government to undertake budgetary control practices in their financial management of financial resources.

Literature review largely depict county governments as having made attempts to adopts budgetary reforms seeking to address resources constraints and county government priorities. However, a gap exists in establishing the effect of budgetary control on the management of public financial resources at the county level. This study therefore seeks to fill this gap.

1.3 Objectives of the study

The study formulated both the general and specific objectives.

1.3.1 General objective

To determine the effect of budgetary control uses on management of financial resources in county government of Kakamega.

1.3.2 Specific objectives

Specifically, the study seeks to;

i) To establish the relationship between revenue optimization and management of public financial resources of county government of Kakamega.

ii) To establish the relationship between planning and management of public financial resources of county government of Kakamega.

iii) To establish the relationship between control and management of public resources of county government of Kakamega.

1.4 Research questions

The study seeks to answer the following research questions;

I) What is the relationship between revenue maximization and management of public financial resources of county government?

ii) How does planning influence the management of public financial resources at the county government?

iii) Is there any relationship between control and management of county financial resources?

1.5 Justification of the study.

The role of budgeting in management of public financial resources in counties is an important subject as the counties are very new in Kenya.

The study will be helpful to the county in planning of the budget not to have diversion of funds. It will help to measure the performance of the county besides the utilization of the scarce public resources. The study may help the county to prioritize its need, giving importance to the most urgent needs to the county. The study may also enable the county to identify sources of its revenue to meet their financial obligation and especially levying taxes from the public which is a source of income to the county. It can help to improve the preparation of budgets which are properly planned, involving the public in decision making, contribution and also responsive to the public needs.

The study would help the public to ensure that the county government have utilize the scarce public funds efficiently and that government policies have improve the relationship and the well-being of all the people in the county. It can encourage the public to pay taxes as they know it is for the development and maintenance of infrastructure of their county. This also encourage the investors to invest without fear of their funds in the county.

1.6 The Conceptual framework.

The conceptual framework lays out the key factors construct or variable and presumes relationship among them. The study intended to establish the effect of budgetary controls uses on management of financial resources in county government of Kakamega. It was focused on budgetary control users as independent variable in which planning, revenue optimization and control were considered.

The dependent variables were transparency, proper utilization of funds and accountability.

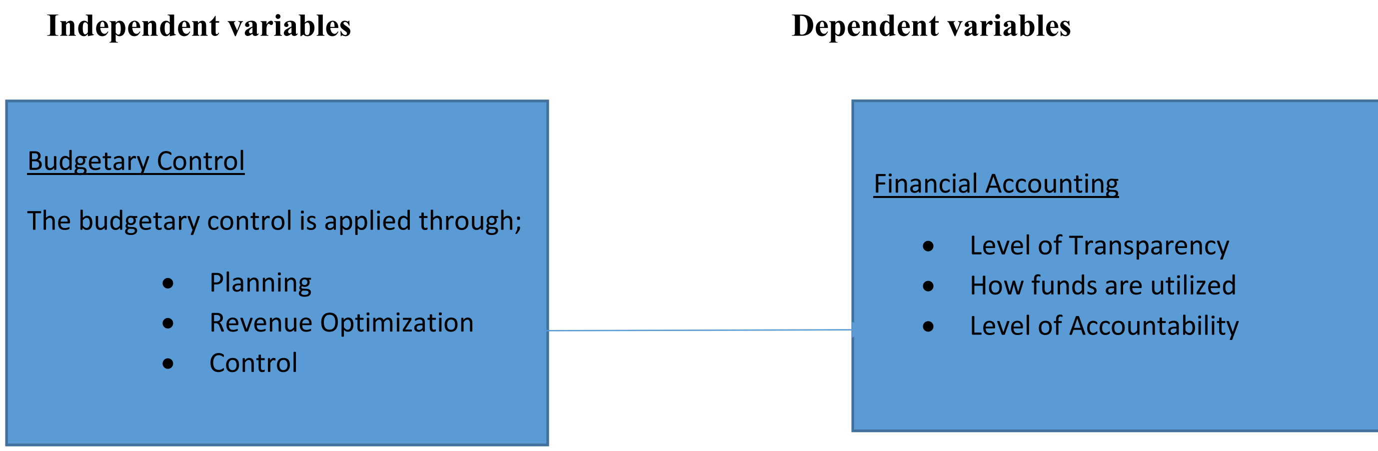


Fig 1.1; conceptualizing the relationship between budgetary control and financial management

Sources; Authors (2021)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed relevant existing literature from other researchers who carried out their research in the same field of study. Specific emphasis was put on issues pertaining to effect of budgetary control on the management of public financial re4sources in the county government of Kakamega.

2.2 Theoretical literature

The following theories guided the study;

Shield and Young (1993) define this theory as a tool used in detecting existing variances between existing and expected performance standard. This implies that a budget is an important element of an efficient planning, allocation and control process and consequently it is a vital concept of an effective budgetary control. In most organizations, budgeting is done annually and this monitor the management and financial performance of the organization (Shield and Young 1993). In the county, planning is based on the revenue from the national government and from the local contribution. This helps the county to estimate the costs in all the departments and sub-counties. For the successful implementation it is important to monitor cost (Shield and Mark Young 1993). It is further clear that a budget as a plan for future financial performance and it is a tool used for controlling the expenditure of the organization (Hirst 1987). It is a tool that helps in the proper utilization of public resources.

The revenue and the expenses need to be reported monthly in the departments. When budgeting is well planned it helps to allocate and control the funds in the firm. The budgeting process increases the organizational efficiency, transparency and fiscal responsibility. Budgets are important element in the county as it improves the efficient planning, allocation and control of revenue and expenditure in the county (Odhiambo 2014).

Sharma (2012) notes that a county need to use budget as a tool to help them identify the sources of its funds, the amount it gets from national government and local sources and also to be timely in collecting the taxes from the public (Silva and Say amah a 2012).The county government can also take advantage of the fund allocated by the national government than other private firms where some have only one source of funds and they are able to perform well in managing their fund. This will help them to compare their performance with those of their private firms (Sharma 2012).

2.2.2 Budgetary control theory

This theory explains the relationship between budgetary control and financial performance of organization. According to this theory, a budgetary control process is a tool used by an organization as a framework for revenue and expenditure allocation. According to Robinson and last (2019), budgeting is used by firms as a framework for spending and revenue allocation. Organization should come up with effective budgeting system in order to ensure their resources are not wasted. Budgeting system help in ensuring that output produced and services delivered achieve their set objectives.

The firm has to put clear controls that ensure the budget is well maintained and allocated as required and strictly followed so that variance can be explained and mitigated as much as possible. Robinson and last (2009), assert that if a firm has less income, however, it might have to fund its estimated budget by borrowing and tax restructuring.

It is very crucial that an organization should understand its budgeting system as well as giving priority to urgent matters that require attention for firm’s control tools.

2.2.3 Fund Accounting theory

Norreklit and Mitchel (2010), suggest that the purpose in developing a theory is to establish standards for judging the acceptability of accounting methods. The theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstances.

Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation (Henry 1985).

Budget as a tool uses accounting concepts to a great extent. It is under the accounting theory that financial standards can be set to guide a firm towards achieving its financial goals. Budgeting provides a feedback mechanism to the management of an organization on how well financial assets are managed as determined by the match between the plans and actual status upon implementation of budgets.

The cost accounting theory developed by wedgwood in early 20th century which emphasizes on cost identification, allocation and revenue optimization has provided a basic insight and blue print in budget and control in an organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Flamholtz 2012).

2.2.4 The Stewardship Theory

According to Donaldson and Davis (1991), stewardship theory holds that managers are not only self-interested but are also capable of positive actions; they have a need for achievement and internal satisfaction, and will improve their performance in their role as stewards of organizational resources to meet these needs. According to stewardship theory, performance variations arise, not from inner motivational problems among executives, but from whether the structural situation in which the executive is located facilitates effective action by the executive. Donaldson and Davis (1991) present that stewardship theory focuses not on motivation of the CEO but rather facilitate empowering structures. The stewardship theory defines situation in which managers are not motivated by individual goals. They are rather stewards, whose motives with the objectives of their principals are aligned. A steward protects and maximizes shareholder's wealth through firm performance, because by so doing, the steward's utility functions are maximized (Davies et al 1997).

2.3 Overview of Budgetary control

Budgetary control can be viewed as a system of controlling costs which embraces the preparation of budget, coordinating the departments and establishing responsibility, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Brown and Howard 2012)

A budget provides a detail plan of action for a business over a define period of time. For effective budgetary control, an organization needs to prepare a detailed plan in both financial and quantitative terms for the coming financial period (Robinson and Last 2009). According to Premchand (2004), the first step in budget process is planning for budget preparation and setting out goals and timelines for its production. Budgeting in public organization start from identifying departments of an organization and ends in the apex of the hierarchy. The basic reason for requiring estimates from subordinates is that higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves (Lewis 2005).Detailed plans relating to production, sales, raw materials requirements, labor needs, advertising and sales promotion, research and development activities, capital additions among others should be formulated. By planning, many problems are anticipated long before they arise and solution sought through careful study thus, most business emergencies can be avoided. In a nutshell, budgeting forces management to think ahead, to anticipate and prepare for anticipated conditions.

Waren (2011) noted that within an organization, different departments have a bearing on one another, this therefore makes co-ordination of various executive and subordinate necessary in achieving budget targets. Budgeting aids managers in coordinating their effects so that objectives of the organization as a whole harmonize with the objectives of its departments. The development of budgetary control system is an activity which requires coordinated efforts from different departments and at various levels. There should be coordination in budgets of various departments. For instance, production budget should be prepared in coordination with purchases budget. To ensure staff become involved and participate in a useful and meaningful manner, all efforts need to be coordinated. Since different departments are involved, conflicts are likely to arise. The organization should develop a mechanism to resolve such conflicts without affecting the basic objectives. Management must ensure that people actively participate in the budget process. It is only through active participation that staff feel motivated and encouraged to work towards the common goal and objectives of an organization.

Hansel et al (2003), suggest that for an effective budget implementation, the budget should be clearer and more accurate, the financial resources readily available and sufficient, while actively involved in the budget making should be motivated to facilitate successful implementation of the budget process. If employees actively participate in budget preparation and are convinced that their personal interest are closely associated with the success of the organization, they will be motivated to ensure effective implementation of the budget. Budgets will therefore motivate workers depending on how management engage them mentally, emotionally and physically during the budgeting process.

Controls check whether the plans are being realized and put into effect corrective measures and determines where deviation or shortfall is occurring (Egan 2007). Egan emphasized that without effective controls, an enterprise will at the mercy of internal and external forces that can disrupt its efficiency. According Koontz et al 1979, control is the regulation of work activities in accordance with pre-determined plans, such as to ensure the accomplishment of the organization’s objectives. Control operates through standards and also measures the work performance according to these standards and correct deviations from standards. Steps involved in control include; establishing plan, goal or objective decision rule, recording of actual performance of activities, creation of mechanism to compare the above steps’ extraction of variance between the planned and actual performance, investigation of the causes leading to the variances or taking appropriate action and the variances.

According to Simiyu (2002), evaluation is the process of developing a plan in co-operation with an evaluation workgroup of stakeholders who foster common objectives for effective budgetary control. Budget are the basis of performance evaluation as they reflect realistic estimates of acceptable and expected performance. Most managers are interested to know what is expected of them so that they monitor their own performance. It is more accurate and reliable to measure current performance against a budget rather against results of previous year when conditions might have changed.

Once the budgets have been implemented, they need to be monitored and controlled to ensure effectiveness in aligning budgets over a given period of time (horngion et al 1997). A budget supports a manager's efforts to monitor operations, identify variances and enact corrective action if necessary. It allows on evaluation of activities in terms of contribution to organizational objectives.

2.4 Budgetary accounting techniques aspects.

This a system of controlling costs which includes preparation of budgets, coordinating the departments and establishing responsibilities comparing performance with budgeted and acting upon results to achieve optimum profits.

2.4.1 Analysis of budgetary variance

Variance analysis involves preparation of budgets of each and every department with estimated figures and comparing them with actual accounting figures.in this technique, we find variances. These variances maybe favourable and unfavourable. For instance, the difference between actual production cost and estimated production cost will be denoted by production variance while the difference between actual quantity and cost of raw materials and the budgeted value of raw materials will give rise to material cost variance.

This technique helps in reducing cost and is commonly used for budgetary control.

2.4.2 Report on budgetary implementation

The government of Kenya must produce a budget implementation report quarterly that details actual spending against the budget approve by the parliament. This responsibility is also given to the office of the controller of budget (OCOB), an independent agency whose main role is to monitor the budget implementation and ensure that funds are released against the budget. OCOB reports are generally the most consistent and detailed reports produced on budget implementation, though they lack certain details that we may find in implementation, reports produced by the National treasury.

2.4.3 Zero Base Budgeting (ZBB)

This is a very popular technique of budgeting control in which every next year budget is made on nil base. It can only be possible, if your estimated expenses. At that time, difference between estimated and income and estimated expenses will be zero. If there is any excess, it will be adjusted. For example, if your estimated revenue is more than estimated expense, you need to increase the amount or allocate in new estimated expenses. With this, nothing will go to next year. With zero base budgeting technique, you can control on every money which you have to spend. Its base will be the current year only.

2.4.4 Funds Adjustment

This is a technique of budgetary control in which top management take the decision to adjust fund from one project to another project. For example, when the government of India makes budget for allocation of its total fund in different projects, at that time, it has to take decision for adjustment of funds. For example, railway department needs money for specific new project. If government of India sees that project of IT has excess money, then it can be utilized for railway budget. In adjustment of funds, we also use fund flow analysis. We can also decrease misuse of funds by forecasting proper amount.

2.5 Relationship between budgetary controls and financial management

Budgetary control is a management tool used by organization to effectively manage their limited financial resources. The success off financial management in any firm depends on effective budgetary control, a process which calls for continuous administration (proctor 2006).

Hensing and baker (2013)' carried a study on effect of tight budgetary control on managerial behavior in Swedish public sector. They used descriptive survey design and sampled 62 managers from different municipalities and universities in Sweden. The findings established majority of local managers in Swedish public-sector experienced tight budgetary controls. The study never captured the effect of budgetary control uses on an organization's financial management. Therefore, there is a gap in the literature in relation to effect of budgetary control on management of financial resources at the county level.

According to Jones at all (2009), budgetary control in government entities entail financial planning, controlling, financial evaluation and performance of budgets in order to efficiently achieve the public finance management goal, on proper allocation as per proposed budget.

Adongo and jagongo (2013), did a study which investigated the relationship between budgetary control and financial performance of state corporations in Kenya. It sought to establish the features of budgetary control in State Corporation, establish the human factors within the budgetary controls, establish the process of budgetary control in public organization and determine the challenges affecting budgetary controls. A descriptive survey design was used to gather data from managers of sampled State Corporation. 14 corporations were selected from a population of 138 to participate in the study. Purposive sampling was used to select 42 corporate services managers, finance managers and budget officers from each corporation to participate in the study. The study focused on independent variables including; human factors within budgetary control, processes of BC and challenges of BC which are different from those considered by the study. A literature gap therefore still exists on effect of budgetary control uses such as control, planning and coordination on financial management of county government in Kenya.

Marcomick and Hardcastle (2011), did a study on the relationship between budgetary control and organizational performance in government parastatals in Europe. A sample of 40 government parastatals were selected for the exercise. Secondary data was used and a period of ten years considered. A regression model was used for data analysis. The results revealed a positive relationship between budgetary control and organizational performance of government parastatals. Government parastatals in Europe and county governments in Kenya have different revenue streams, financing methods, system of operation and objectives. Therefore, a gap in literature exists in relation to effect of budgetary control on financial management of resources at the county government of Kenya.

2.5.1 Revenue optimization.

A study by Alam, Noore, Nashti and Nur (2012) in Indonesia indicated that local governments mainly obtained financial resources from the central government and more so, despite the fiscal power granted to local government on revenue mobilization. Political and contextual factors undermine the effort of local government in maximizing their revenue. As such it was noted that local government were highly dependent on national government. It is observed that revenue mobilization by local government in Ghana particularly the metropolitan, municipal and districts assemblies has been poor a condition that has necessitated the local government to entirely rely on allocation from the national government (Akorsu, 2015). The study evaluated the effectiveness of revenue mobilization in cape coast metropolitan assembly in Ghana. The findings indicate that the institution was unable to mobilize sufficient funds due to the fact that traditional method was used to collect funds. One of the recommendations of the study was that there ought to be a reliable data base for all business and properties and more so sensitization of the public on the payment of taxes in order to enhance revenue for the local government.

Kondo (2015) analyzed the effect of revenue enhancement strategies on financial performance. The focus was on Kenya Revenue Authority. The study used descriptive research survey and relied on secondary data. The study findings indicated that the revenue maximization strategies influenced financial performance of the organization. Specifically, it was noted that computerized operation and staff training adversely and significantly influenced financial performance of the entity. The study recommended training on staff to improve their skills, knowledge and professional capacity in order to enhance performance of the organization.

2.5.2 Performance adjustment

A study by Kilonzi (2014) examined the decentralization of government operations and service performance by county governments of Kenya. The objective of the study was to establish the relationship between decentralization of operations and the performance of county governments. In particular, the study focused operations that had been decentralized, effect of decentralizing operations on performance and challenges facing operations decentralization. The study adopted exploratory research design. The study revealed that there was lack of resources for service delivery to match the operations decentralized to county governments.

In Kenya, Waweru and Nduruhu (2015) assessed financial constraints on operations of county governments. The study focused on Nakuru county government. The study contended that there are many functions that have been devolved on the 47-county government of Kenya since their inception in early 2013. The study also noted that there have been claims by the council of Governors that the funds being disbursed by the national government are insufficient to run the operations at the county level. Beside this, there are other constraints that have been hampering the operations of the county government. The study revealed that financial management skills play a significant role in the operation of the county governments.

A recent study by Onyango (2015) focused on operation strategy and service delivery by the county government of Kenya. The primary objective of the study was to examine the relationship between operation strategy and performance. The study concentrated on operations that have been developed, effect of decentralizing operations on performance and constraints facing service delivery in the county government. The study adopted exploratory descriptive survey design. The study revealed that there was an overlap on the role of county government and county government in delivery of service in some functions. This led to conflict in the service delivery which has affected performance of county governments in Kenya.

A research on effects of budgeting and budgetary control was carried out by Zipporah (2017) and concluded that county government encounters challenges while implementing their budget such as non-compliance with budgetary timelines as per PFM ACT 2012. The researcher confirmed that budgeting and budgetary control helps county government to estimate its revenue and expenditure in their final year. The researcher recommended that county government appropriation bills be passed in final year, determine county government performance, budget legislation for budget plans to be well executed to avoid financial performance challenges.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter involves the design of the study, study area, target population, sample size and sample techniques, instruments and data analysis of the research that is to be carried out.

3.2 Research Design

The study will use descriptive particularly survey research design. Kombo and Tromp (2006) says that descriptive design explains the state of affairs as they exist in a setting. It is used when interview or questionnaire are used in data collection (Orodho, 2007).

According to Kothani (2004), descriptive research looks into comparative and collect data from population member and describes existing phenomenon with references to budgetary controls.

According to Oso and Onen (2008), descriptive survey design presents an oriented methodology used to investigate population for selecting sample to analyse and discover occurrences. The same author explain correlation as the determination of whether or not and to what extent an association exist between two or more variables. Correlation was used as a mean of trying to examine the relationship between budgetary accounting techniques and management of financial resource at the county government in Kenya.

3.3 Study Area

The study was conducted in the county departments of Kakamega County.

3.4 Target Population

Lumley (2004), defines a population as a larger collection of all subjects from where a sample is drawn. Sekran (2003), defines target population as the population in which the researcher wants to generalize the study results. The study was conducted in the following departments of the county; Economic planning department, Revenue department and County Treasury department. The members of this departments will be the respondent in our study.

3.5 Sample Size and Techniques

The study basically targeted top and middle level management because they are of the internal control. Accordingly, the departmental members were targeted as respondent, however, greater emphasis is laid on capturing members in Economic Planning Department, Revenue Department and Treasury Department of the County.

A sample is a portion of the population collected for observation and analysis to make certain inferences about the characteristics from which it is drawn. (Best and Kahn 1998). Sample size depend upon many factors among a homogeneity of the population.

Purposive sampling is where the researcher consciously decides who to include in the sample. It is used simply because the study is targeting basically custodian of the internal control system. It also ensures that only people with relevant information are sampled.

3.6 Data Type and Sources

The study was used in both primary and secondary data. Kombo and Delmo (2006) described primary data information gathered directly from correspondent while Gupta (2004) described secondary data as that which has already been collected by others and it is contained in journals, reports, government publication and research organization.

3.7 Data Collection Instrument and Procedures

Data collection tools are the instrument which are used to collect the necessary information needed to serve or to prove facts (Mugenda and Mugenda, 2003). The study used both primary and secondary data techniques. Primary data was collected from the field by use of semi structural questionnaire consisting of both closed and open-ended questions. The structural questionnaire was administered through a drop and pick later method at an agreed time with the respondent. The questionnaire was suitable for this study because of the following reasons; Time saving, maintenance of confidentiality of information, have no room for interview bias and collection could be done in large area.

The questions were pretested before data collection. Dependent variables were measured using performance indicators from the audited financial information. Secondary data was used to supplement the data received from questionnaires.

3.8 Reliability of Instruments

Reliability is a measure of the degree to which research instrument yield consistent result or date after repeated trials (Mugenda and Mugenda 2003). The test method will be used as a method of testing reliability. Mugenda and Mugenda further state that test retest is administering the same instrument twice to the same group of subjects. There is usually time lapse between the first and the second test. The second will be administered after a period of two weeks.

Person's product moment correlation coefficient of 0.80 or more implies that there I a high degree of reliability of data high correlation denotes high reliability and therefore the questionnaire is reliable.

3.9 Validity of Instruments

According to Mugenda and Mugenda 2003, Validity is the degree to which results obtained from analysis of data actually represent phenomenon under study. They further note that this is validated by use of professional's expert in the area. A section of respondents who will not participate in the study and research proposal. Supervisors will confirm the content validity in a measure of degree to which the data collected using a particular instrument represent particular domain of indicators (Mugenda and Mugenda 2003).

The items instruments will be tasted to confirm if all the expected outcomes will be able to be measured.

3.10 Data analysis

The goal of data analysis according to Peterim a research data collection and analysis training manual (2004) is to clarify problems, alternative and provide a sense of direction. Data analysis usually begins with the organization of collected data in the form of statistical table, maps, charts, diagrams and explanation text also a company where necessary.

Ngau and Kumsea 2004 in their study clarify that once the raw data is collected, questionnaires will be checked for their proper recording of responses and completeness. It will then be corded and checked for coding errors and omission. The output will be used to describe respondents with regard to the research question. Cross tabulation and graph will also be made where necessary.

Measures of central tendency means, medium and measures of dispersion, variance and standard deviation shall be used to analyze the data together with the application of statistical package of special sciences (SPSS). The researchers will cloth interpretation, make conclusion and finally more effective recommendations.

3.11 Ethical Consideration

Ethical consideration has been taken into consideration by first seeking authorization from the county government of Kakamega. Furthermore, questionnaires were structured in such a way that there is no mention of the interviewer’s name. A statement as to the strict confidentiality with which data is held is clearly stated in the questionnaire. Consent was sort from the participant after being informed of the rationale and nature of the study, the relevance in the research process and expectations from them to ensure voluntary participations.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the findings, interpretation of the study. It is sequenced into five main sections comprising;

- Response rate.
- Demographic information of the respondents.
- Revenue optimization and management of public financial resources of county government.
- Planning and management of public financial resources of county government.
- Control and management of public resources of county government.

4.2 Response rate

Response rate is defined as the number of questionnaires that are filled completely and returned or collected against the questionnaires that are issued to the respondents.

To this effect, the 15 questionnaires were issued and 12 out of these were completed which represent 80% response rate which is way above the accepted questionnaire return rate of 70% (Nulty, 2008).

4.3 Demographic information of the respondents.

Table 4.1 below summaries the response obtained from the questions that sought demographic information of the respondents.

Characteristics	**Frequency**	**Percentage (%)**
Gender- Male	9	75
-Female	3	25
Age bracket		
- 18-30	2	17
- 31-40	6	50
- 41-50	4	33
Level of education		
-Certificate	1	8
-Diploma	3	25
-Undergraduate	5	42
-Postgraduate	3	25
Duration in the current position		
-Less than 3 years	4	33
-Between 3-5 years	6	50
-More than 5 years	2	17
Number of employees in each department		
-Between 11-30	8	67
-30 and above	4	33

Table 4.1 Distribution of respondent by demographic characteristics

Table 4.1 shows that;

In relation to gender, the table is indicatives of majority (75%) of the respondents being male while 25% were female. The findings demonstrate efforts by the county to comply with affirmative action in employment opportunities.

When distributed by age bracket, the table depicts most (50%) of the respondent were aged between 31-40 years, 41-50 years 33% and while aged 18-30 years were 17% respectively.

On education level the table demonstrate that majority 42% of the respondent had attained undergraduate qualification. Both diploma and postgraduate were 25% each and 8% represent the certificate qualification. The findings signify that most of the respondents had the requisite competence and knowledge as depicted by their service and responses.

With regard to the question that sought information on duration in their current positions, table 4.1 shows majority 50% of the respondent stated they had served between 3-5 years 33% indicated served for less than 3 years and 17% indicated they have served for more than 5 years

4.4 Planning

4.4.1 Duration and Approximate Annual budgeted Revenue & Expenditure

The respondents were first asked to indicate the period covered by their respective budget then approximate level of annual budgeted revenue and subsequently approximate annual budgeted expenditure.

Table 4.2 below, summarizes responses in figure

Period	Annual budgeted Expenditure	Annual budgeted Revenue
1 year	Less than 5 billion	Less than 5 billion

Figure 4.2 Period, Annual Budgeted Revenue and Expenditures.

From the table above, it is evident that all (100%) of respondent reported that their respective budget covered a period of 1 year.

With regard to approximate level of annual budgeted expenditure and revenue respondent indicated that their expenditure and revenue is similar range of less than 5 billion.

4.4.2 Budget Planning Process

When asked to indicate their level of agreement/disagreement with the statement relating to budget planning aspects, the responses obtained are summarized in the table 4.3.

4.3 Levels of Agreement/Disagreement with Budget Planning Statement

Statement on budget planning aspects	**SA**	**A**	**NS**	**D**
Each department of the county prepares budget prior to budget periods.	36	50	12	2
The county has both short- and long-term budget plans.	14	61	18	7
The county incorporates both development and recurrent plans in the budget.	22	70	8	0
The county budget at planning level factors in the priorities of different department.	24	60.5	15.5	0

Where; **SA**- Strongly agreed

A- Agreed

NS- Not sure

D- Disagreed

The table 4.3 shows the most (88%, 75%, 92%, 84.5%) of the respondent confirmed that; each department in the county prepares budget plans prior to budget periods, the county had both short and long term budgets plans, they incorporates both development and recurrent plans in their budgets and that their budgets at planning level do factor in priorities of different department . 10%, 18%, 8%, 15.5% were not sure while 2%, 7%, 0%, 0% respectively disagreed and this was not the case.

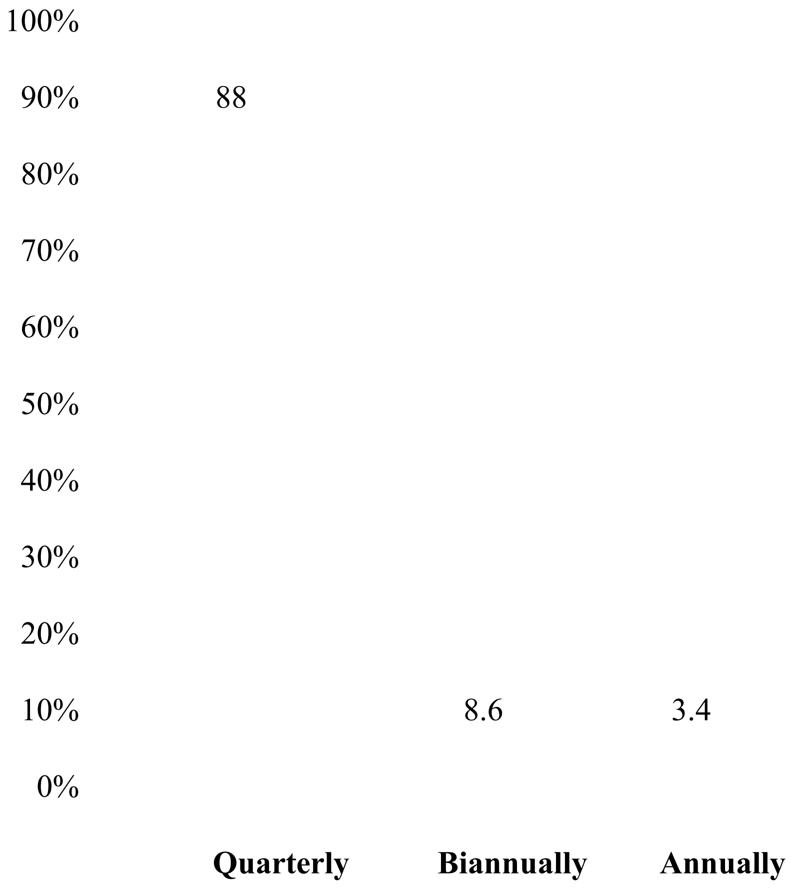
These findings demonstrate a general consensus among the respondents with regard to involvement of department in preparation of budget plans prior to budget periods, formulation of both of short- and long-term budget plans, incorporation of both development and recurrent plans and consider priorities of different departments during budget planning process.

4.5 Budget Control Process

4.5.1 Frequency of Budget Preview

Figure 4.4 summarizes that response obtained from the question that sought information on how often the budget were reviewed.

Budget Review Intervals



From figure 4.4, it is evident that most (80%) of the respondent reported their budgets were reviewed on quarterly basis whole 8.6% stated biannually and 3.4% stated annually.

4.5.2 Levels of agreement/disagreement (%) with Budget Control statements

Statement on Budget Control Activity	A	SA	NS	D
There exist a budgetary committee that periodically meet to review budget performance.	83.2	16.8	0.0	0.0
The county has budget policies that help in monitoring budget spending limits.	75	16.7	8.3	0.0
The county periodically prepares report for budgets evaluation.	66.7	16.7	8.3	8.3
At the end of budget cycle, the county compares actual and budgeted performance tabulates variances.	66.6	16.7	16.7	0.0
The county takes the corrective actions to address adverse variance reported.	50.0	25.0	25.0	0.0

Where; **A**- Agreed

SA- Strongly agreed

NS- Not sure

D- Disagree

The table above shows that most (100%, 91.7%, 84.4%, 84.4%, 75%) of respondent were respectively in agreement with regard to; existence of budgetary committee that periodically meet to review budget performance, the county having budget policies that helping monitoring budget spending limits, periodically prepares report for budget performance evaluation and do compare actual and budgeted performance, tabulating variance at the end of the budget cycle.

A further 0.0%, 8.3%, 8.3%, 16.7% and 25% were not sure while 0.0%, 0.0%, 8.3%, 0.0% and 0.0% each reported this was not the case.

Similarly, 75% of the respondent agreed that their county adverse budget deviation is reported to budget committee and corrective actions taken to address the adverse effects, 25%, were not sure while 0.0% did not comment.

4.6 Hypothesis Testing.

We used the Chi- square where r^2 describes the magnitude of discrepancy between theory and the observed.

4.6.1 The relationship between planning and budgetary accounting techniques on management financial resources.

HO; There is no significant relationship between planning and revenue optimization with the management of financial resources at the county level.

	SA	A	NS	D	TOTAL
	5	6	1	0	12
	2	7	2	1	12
	3	8	1	0	12
	3	7	2	0	12
TOTAL	13	28	6	1	48

Solutions;

For us to get E Value E=to people/number of observations

e.g 13/4=3.25 or 3.3

O	E	$(O-E)^2$	$(O-E)^2/E$
5	3.3	2.89	0.88
2	3.3	1.69	0.51
3	3.3	0.09	0.03
3	3.3	0.09	0.03

6	7.0	1.00	0.14
7	7.0	0.00	0.00
8	7.0	1.00	0.14
7	7.0	0.00	0.00
1	1.5	0.25	0.17
2	1.5	0.25	0.17
1	1.5	0.25	0.17
2	1.5	0.25	0.17
0	0.3	0.09	0.30
1	0.3	0.49	1.63
0	0.3	0.09	0.30
0	0.3	0.09	0.30
			$X^2 = 4.94$

Df = (r-1) (c-1)

= (4-1) (4-1)

= 3x3

= 9

At 95% level of confidence;

$X^2_{0.05} = 16.92$

Calculated value $x^2 = 4.94$

Since the calculated is less than the table value the null hypothesis is rejected hence there is significant relationship between planning/revenue optimization with the management of financial resources at the county level.

4.6.2 Relationship between Control and budgetary accounting technique on management of financial resources.

HO; There is no relationship between control with the management public financial resources of county government.

	A	**SA**	**NS**	**D**	**Total**
	10	2	0	0	12
	9	2	1	0	12
	8	2	1	1	12
	8	2	2	0	12
	6	3	3	0	12
Total	41	11	7	1	60

Where; **A**- Agreed

SA-Strongly agreed

NS- Not sure

D-Disagreed

O	**E**	**$(O-E)^2$**	**$(O-E)^2/E$**

10	8.2	3.24	0.40
9	8.2	0.64	0.08
8	8.2	0.04	0.00
8	8.2	0.04	0.00
6	8.2	4.84	0.59
2	2.2	0.04	0.02
2	2.2	0.04	0.02
2	2.2	0.04	0.02
2	2.2	0.04	0.02
3	2.2	0.64	0.29
0	1.4	1.96	1.40
1	1.4	0.16	0.11
1	1.4	0.16	0.11
2	1.4	0.36	0.26
3	1.4	2.56	1.83
0	0.2	0.04	0.20
0	0.2	0.04	0.20
1	0.2	0.64	3.20
0	0.2	0.04	0.20
0	0.2	0.04	0.20
			X^2=9.15

Df = (r-1) (c-1)

$= (5-1)(4-1)$

$= 4x3$

$=12$

At 95% confidence level,

$$X^2_{0.05}=21.03$$

Calculated value $X^2=9.15$

The calculated value of X^2 is less than the table value. The null hypothesis is rejected hence there is relationship between control and management of public financial resources of county government level.

CHAPTER FIVE

5.1 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1.2 Introduction

This section presents summary arisings from the foregoing results conclusions based on research objectives and the recommendations of the study.

5.2 Planning

5.2.1 Durations & approximate Annual Budgeted Revenue & Expenditure

All respondents reported their respective budget coverage as a period of 1 year.

With regards to approximate level of annual budgeted expenditure and revenue respondents indicated that their expenditure and revenue is similar range of less than 5 billion.

5.2.2 Budget Planning Process.

Most (88%, 75%, 92%, 84.5%) of the respondents confirmed that each department in their county prepares budget plans prior to budget period. The county had both short- and long-term budget plans, they incorporate both development and recurrent plans in their budgets, budgets at planning level do factor in priorities of different departments.

The findings demonstrate a general consensus among are respondents with regard to involvement of departments in preparation of budget plans prior to budget periods, formation of both shorts long term budgets plans incorporation of both development and recurrent plans considerations of priorities of different department during budget planning process.

5.3 Budget Control Process.

5.3.1 Level of Agreement/ Disagreement with coordination statements.

Most (94.8%, 89.5%, 83.9%, 79.0%) respectively affirmed that, there is existence budget committee that periodically meet to review budget performance, the county having budget policies that help in monitoring budgets spending limits, periodically prepares reports for budgets performance evaluations.

There is also comparison of actual and budgeted performance, tabulating variance at the end of the budgeted cycle.

5.4 Relationship between planning and management of financial resources at the county level.

Chi- square model summaries for the independent variable confirmed existence of a moderate positive correlation between planning and management of financial resources at the county level. It is indicated by;

Chi-square table value of $X^2_{0.05}$=16.92 which is greater than the calculated X^2=4.94.

5.5 Relationship between control and management of financial resources at the county level.

There is a positive association between budget control and management of financial resources at the county level as depicted by the table value of $X^2_{0.05}$=21.05 which is greater than the calculated value of X^2=9.15.

5.6 CONCLUSION

The following conclusions can be drawn from the foregoing summary in line with the research study objectives and the three-research question assumed under chapter one subsection 114

Reject the null hypothesis and accept the alternative hypothesis that states; there is a significant relationship between budget planning and the management of financial resources at the county level.

Reject the null hypothesis and accept the alternative hypothesis that states; there is a significant association between budget control and the management of financial resources at the county level.

Reject the null hypothesis and accept the alternative hypothesis that state; there is significant relationship between revenue optimization and management of financial resources at the county level.

5.7 RECOMMENDATION

a) Budgetary control helps in enhancing the management of financial resources as it compares budget targets with actual performance and hence adverse deviation are corrected in time.

b) Planning is an important element of budgetary control that enables management to look ahead, set target anticipate problems and give the organization a sense of direction.

c) Control regulates activities in accordance with predetermined plans such as to ensure the accomplishment of organizations' goals.

d) Budgetary control techniques therefore have positive correlation with the management of financial resources at the county government.

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APPENDIX

QUESTIONNAIRE

We are students of **Masinde Muliro University of Science and Technology** pursuing bachelor of commerce, accounting option as part of the requirements of this degree, we are carrying out a research project on the effect of budgetary accounting technique on the management of financial resources at the county government in Kenya.

You are kindly requested that you fill this questionnaire with required information. The information you provide us will be treated with utmost confidentiality since the research is purely for academic purpose.

Do not write your name anywhere in this questionnaire.

PART A: DEMOGRAPHIC DATA ON RESPONDENTS

Please mark (x) as appropriate in blank spaces.

1. What is your gender?

   a) Male

   b) Female

2. Please indicate your age bracket?

   a) Between 18 and 30 years

   b) Between 31 and 40 years

   c) Between 41 and 50 years

   d) Over 50 years

3. What is your highest level of education?

a) Certificate

b) Diploma

c) Undergraduate

d) Postgraduate

4. How long have you worked in the county government Kakamega?

a) Less than 3 years

b) Between 3 and 5 years

c) More than 5 years

5. How many employees are in each department of Kakamega County offices?

i) Between 0 and 10

ii) Between 11 and 30

iii) 30 and above

PART B. PLANNING

6. Kindly indicates the period covered by your budget.

a) Less than 1 year

b) 1 year

c) More than 1 year

7. What is your approximate level of annual budgeted expenditure?

a) Less than 5 billion

b) Between 5 and 10 billion

c) Over 10 billion **8.**

Kindly

tick the following statement by indicating your level of agreement with the listed activities as

(I) Disagree (ii) Not sure (iii) Agree (iv) Strongly agree

Statements	**I**	**ii**	**iii**	**iv**
a) Each department of the county prepares budget plans prior to budgets periods.				
b) The county has both short- and long-term budget plans.				
c) The county incorporates both development and recurrent plans in their budgets.				
d) The county's budget at planning level factors in the priorities of difference departments.				

PART C. CONTROL

9. How is your budget review?

Annually

Biannually

Quarterly

None

10. Please indicate the following statement by indicating your level of agreement with the listed activities i. Disagree ii. Not sure iii. Agree iv. Strongly Agree

	(i)	**(ii)**	**(iii)**	**(iv)**
a) there exist a budgetary committee that periodically meet to review budget performance				
b) the county has budget policies that help in monitoring budget spending limits				
c)the county periodically prepares report for budget evaluation				
d)at the end of budget cycle, the county comperes actual and budgeted performance and tabulates variance				
e) the county takes the corrective action to address adverse variances reported				

PART D: REVENUE OPTIMATION

11. What is your approximate level of annual budgeted revenue?

Less than 5 billion

Between 5-10 billion

Over 10 billion