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Monitoring and Financial Accountability in County Governments in Kenya: Empirical Evidence from South Nyanza County Governments.

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Abstract: This study was about monitoring and financial accountability in South Nyanza County Governments, Kenya. The county governments have continued to struggle for liquidity, efficient accountability for financial resources and timely financial reporting as part of internal control procedures. The study adopted descriptive cross sectional and correlational designs with both quantitative and qualitative approaches. From a total population of 2066 a sample size of 335 respondents was obtained using Slovic's formula. Data were collected using questionnaires and interview guide. Quantitative data was analyzed using Means and standard deviations, Pearson linear correlation coefficient and regression analysis. Qualitative data analysis was done using narrative and thematic analysis. The results point out that there is a positive and significant relationship between monitoring and financial accountability. The magnitude of the beta suggested that monitoring positively and significantly influenced financial accountability ($\beta = 0.629$, $t = 13.443$ and $p = 0.000$). This suggests that a one unit increase or improvement in monitoring will bring a 0.629 increases or improvement in financial accountability, leaving other factors constant. The study concluded that there is relationship between monitoring and financial accountability. As a matter of recommendation, this study suggests that monitoring should be part and parcel of day-to-day operations of all County governments in Kenya.

Key words: Financial Accountability, Internal Control system, Monitoring and Reporting

1.0 Introduction.

Financial accountability is at all times linked to excellent authority in public organizations to administer public resources, in a manner that warrants the recognition of human rights in a way fundamentally free from misuse and corruption of public resources, as well as obeying the rule of law (Bhuiyan & Amagoh, 2011). According to Prowle (2010) public sector administrations deal with huge sums of public finances and function mostly in a political atmosphere, in this manner demanding a need for a high degree of responsibility and accountability and confidence in the way in which their financial matters are being conducted. Moreover, all other phases of funding administration in the public segment ought to be done carefully. Current major financial issues in the United States and Europe stressed that when those charged with governance do not act in the interest of shareholders and don't identify, evaluate and respond appropriately, Financial institutions are destined to failure and public confidence and financial institutions in general is put at risk (Noorvee, 2006). According to Yinka, Jide and Emmanuel (2015) Financial accountability has been an issue about ethical and integrity challenges in public sector which has been identified with sequence of organizational failure, moral negligence scandals of auditing and accounting in both developed and developing economies. The World Bank (2009) suggested that there is

need to develop and strengthen the financial position in developing and emerging economies in order to maintain and achieve stronger financial accountability. For effective accountability of public financial resources, countries should maintain able and competent managers, Accountants and Auditors with full knowledge and skills for sustainable reforms of PFM at different levels of all sectors of the government. Furthermore, government should enhance fiscal transparency and accountability mechanisms to ensure meaningful public budget and financial information are followed with due attention to duality, usefulness, accessibility and timeliness to maximize financial accountability in contribution of long term economic success (Pretorius & Pretorius, 2008).

1.1 Statement of the Problem

The desire to attain proper accountability in public sector is indispensable and requires employees with rights skills, ability and a positive attitude towards work (Kamau, 2014). Financial Accountability in all sectors is very important if it is to achieve the intended objectives of internal control practices. However, the county governments have continued to struggle for liquidity, efficient accountability for financial resources and timely financial reporting as part of internal control procedures besides, there is challenges of corruption, poor service delivery implementation of shoddy projects and embezzlement of funds (Auditor General Report, 2017).

For instance there is ambiguity in financial accountability in South Nyanza County government in Kenya whereby money meant for development and recurrent expenditure were misappropriated by government officials and large sums of money were lost through unclear circumstances (Auditors General Report, 2016/2017).

1.2 Purpose of the Study

The purpose of the study was to examine the relationship between monitoring and financial accountability in South Nyanza county Government in Kenya.

2 Literature Review

2.1 Monitoring and Financial Accountability

Monitoring is an essential component of internal control in assessing the performance of an organization in ensuring transparency and accountability is achieved. It allows executives to carry out their mandate properly with clear guideline to enable them to perform their task effectively with confidence (Krishnan, 2015). It also include assessment of performance by auditing in ensuring that the organization operation is conducted correctly Committee of Sponsoring Organizations (COSO) of the Tread way Commission report (1992). Therefore, to ensure accountability and proper financial management, clear internal control system like internal audit department need to be installed to monitor the operation of the organization. The Government of Kenya has set in internal control procedures to monitor and control funds invested in County Governments. The County executive board plays an important task in ensuring that the funds are utilized and protected, both tangible and intangible assets are shielded from unscrupulous individuals (Institute of Policy analysis and Research, 2014). Atieno, Olweny and Mirona (2019) asserted that monitoring of control should clinch on measures put in place to resolve audit and review issues quickly. Monitoring is vital component given difficult and dynamic environment in the County Governments to ensure that activities are envisioned (Transparency International Kenya, 2014). Atmadja and Suputra (2018) carried out an investigation on determinant factors influencing the accountability of village financial management the study drew a sample of 60 villages in Buleleng. Data were collected through questionnaire and as a result, it was analyzed using multiple Linear regression and Ordinary Least Square it was revealed that the variable of monitoring influence the accountability of organizations in financial management. Therefore, monitoring is important in the administration and accomplishment of government activities including expansion and budget formulation these also determine proper accountability and transparency of the resources available in the county governments in Kenya. This study concurred with Kisanyanya and Omagwa (2018) who found out that financial monitoring have a positive and significant effect on the financial performance of the institutions. Emily, Muganda and Singoro (2018) studied the effects of monitoring on financial performance of public Sugar firms in Kenya. The investigation used descriptive research design. Analysis of data was done by descriptive and inferential statistics and it was found out that the budget participation and Budget communication

had strong significant correlation with the financial performance of the public Sugar Firms in Kenya. But Ng'wasa (2017) who carried out a study on the relationship between monitoring and financial performance in financial institutions a total of 88 respondents were selected using purposive sampling, disagreed with the earlier researchers and found out that there was no any significant relationship between budget monitoring and financial performance. In that regards there is frequent need to carry out external audits by county auditors to examine the accuracy of the books of accounts for effective monitoring to achieve efficiency in accountability In the study conducted by Naidoo (2011) on the role played by monitoring and evaluation (M&E) in promoting good governance in South Africa. It was realized that monitoring and evaluation is important in creating autonomous and advanced governance in terms of accountability and transparency in public institutions, this was demonstrated on change of self governing state towards good governance. The study revealed that monitoring and evaluation aid in the development of strategy for improvement of financial accountability and compulsory monitoring was strong in maintaining legal support. The study adds that monitoring, if well designed, should result in change in perceptions, actions and attitudes amongst workers in the county government for clear transparency and accountability and also improve good governance in the county governments.

2.2 Financial Accountability

Financial accountability plays a big role in public sectors since it enhances the provision of effectiveness in financial reporting, transparency in service delivery and value for money. Accountability of County Government is important because it is held responsible to the public for their decisions, actions and services and thus must reveal a strong sense of accountability in the use of public funds (Elad et al., 2009; Lodhia and Burritt, 2010; Dellaportas et al., 2012; Monfardini, 2010). Shareholders (tax payers) present funds to state institutions therefore, managers and administrators of these institutions should express the logic of accountability and responsibility to utilize the resources effectively or else, they might reject to offer additional resource (Elad et al., 2009). Accountability provides reliable accounting information and clear financial reporting, allocation of resources in effective manner since the main aim of government is to allocate limited financial incomes to its citizens asserted (Pany & Whittington, 2004). But inadequate provision of accounting and reporting can create inefficiency in allocation of economic resources. According to Schedler (1999) accountability comprises of two elements i.e. answerability the necessity for descriptive account and justification for public action (b) enforcement the need for procedures to question unjustified action. Monitoring of financial statements, inventory records and sound cash flow statements are potentially done by the officials of the county government as a mean of internal control procedures to prevent errors and fraud this could improve financial reporting, transparency and value for money to its stakeholders.

3. Methodology

The study adopted a positivist quantitative paradigm with cross sectional and correlation designs. Correlation design was used to establish relationships between monitoring and financial accountability of county governments in Kenya. Both quantitative and qualitative designs were applied in data collection, analysis and presentation which also helped to test hypothetical deductive generalizations. The study population consisted of 2066 of individuals working with Finance Department, Auditing department, Procurement department in the county and sub County level of the county government in South Nyanza Region of Kenya, they included Kisii, Nyamira, Migori and Homabay counties where the sample size of 335 were chosen by sloven's formula. Data was collected using a questionnaire, interview guide and documentary reviews. The questionnaire was based on a five point Likert scale. Because the tools used in data collection were not consistent, the researcher pre-tested them, for validity and reliability. Prior to the analysis of the study, data was screened for missing values ,outliers ,normality test and multicollinearity these tests were first confirmed with the

required rules of thumb before final analysis was done. Data were analyzed using means, standard deviations, Pearson's linear correlation coefficient and linear regression.

4. Findings and Interpretation

The main objective of this study was to investigate the effect of monitoring on financial accountability of South Nyanza county Government in Kenya. Data on financial accountability were collected using the questionnaire. Respondents rated the extent of their financial accountability in terms of value for money, transparency and reporting on a five point scale, where 1 = very unsatisfactory; 2 = unsatisfactory; 3 = fairly Satisfactory; 4 = Satisfactory; 5= very satisfactory.

4.1 The finding of univariate

The descriptive statistics used to analyse data at univariate stage were measures of central tendency particularly the arithmetic means and standard deviations. Their responses were summarized using descriptive statistics as presented in table 1

Table 1: Means and Standard Deviations on Level of Financial Accountability in South Nyanza County Governments of Kenya

Measures of Financial Accountability	Mean	SD	Interpretation	Rank
Value for Money				
The financial position of the county government is well ascertained to improve the economy.	3.53	1.129	Satisfactory	1
County government officials do respect the budgets in implementation of financial decisions	3.35	1.220	Fairly satisfactory	2
All levies are dully collected with a lot of efficiency	3.30	1.233	Fairly satisfactory	3
There is effectiveness in financial compliance	3.26	1.220	Fairly satisfactory	4
There is a high output of appropriation of funds	3.16	1.264	Fairly satisfactory	5
The value for money is on increase	3.08	1.304	Fairly satisfactory	6
Average Mean	3.28	.834	Fairly satisfactory	
Transparency				
The reports are examined by auditors	4.01	1.064	Satisfactory	1
Employees are accountable for their roles	3.81	1.060	Satisfactory	2
Periodical meetings are held to discuss progress of activities	3.69	1.111	Satisfactory	3
Receipts for all transactions are available	3.63	1.170	Satisfactory	4
There is sufficient monitoring of financial activities and robust expenditure	3.60	1.132	Satisfactory	5
Corrective action is taken to address weaknesses	3.44	1.219	Satisfactory	6
Average Mean	3.70	.727	Satisfactory	
Reporting				
Accounting practices conform to accepted standards	3.93	1.119	Satisfactory	1
Employees communicate appropriately to their supervisors	3.82	1.059	Satisfactory	2
Information and processing capabilities have improved	3.76	1.123	Satisfactory	3
Employees submit weekly reports	3.65	1.129	Satisfactory	4
The current information flow is quick and effective	3.60	1.199	Satisfactory	5
The County has a reporting mechanism to its Stakeholders	3.59	1.152	Satisfactory	6
Average Mean	3.72	.798	Satisfactory	
Grand mean	3.56	.673	Satisfactory	

Source: Primary Data (2019)

Table 2: Mean Ranges used to interpret the Means;

Mean range	Response range	Interpretation
4.21-5.00	Strongly agree	Very satisfactory
3.41-4.20	Agree	Satisfactory
2.61-3.40	Not sure	Fairly satisfactory
1.81-2.60	Disagree	Unsatisfactory
1.00-1.80	Strongly disagree	Very unsatisfactory

Source: Primary Data (2019)

The results in Table 1 reveal that respondents as regards value for money construct of financial accountability, all the items were rated to be fairly satisfactory. The average mean for the construct of value for money ($\bar{x}=3.28$) is closer to three, suggesting that on average, respondents were not sure (they neither agreed nor disagreed) on the extent of financial accountability with respect to value for money. The average standard deviation (0.834) was relatively low suggesting that the average mean is a fair representative of what majority of the respondents said. In terms of transparency construct of, financial accountability was rated satisfactory for all the items used to measure this construct. Transparency was rated highest with respect to whether the reports are examined by the auditors, with a mean = 4.01 which fall under agree on the Likert scale and interpreted as satisfactory on the interpretation scale. This means that most staff are well aware that auditors always examine the reports of the different units. Transparency was rated lowest on whether the respondents saw corrective action being taken to address weaknesses, with a mean = 3.44 which also fall

under agree, suggesting that respondents are satisfied that there is transparency in addressing weaknesses. The average mean for the construct of transparency ($\bar{x}=3.70$) is closer to 4 and falls under satisfactory on the interpretation scale, which suggests that on average respondents are satisfied with the extent of transparency in these county government. Regarding financial reporting, results indicated that financial accountability was satisfactory for all items used to measure this construct. For example, financial reporting was rated highest on whether accounting practices conform to accepted standards, with a mean response of 3.93, which is closer to 4 (agree) suggesting that respondents were satisfied with the quality of accounting practices that conform to accepted standards.

4.2 Bivariate results

The researcher further tested whether the monitoring is positively and significantly correlated with each construct of financial accountability in South Nyanza county government in Kenya, using Pearson's linear correlation coefficient (PLCC). The results are presented in table 3.

Table 3: Pearson Correlations Monitoring and Financial Accountability

Variables correlated	r-value	Sig.	Interpretation	Decision on Ho
Monitoring Vs Value for Money	.466**	.000	Significant correlation	Rejected
Monitoring Vs Transparency	.558**	.000	Significant correlation	Rejected
Monitoring Vs Financial Reporting	.576**	.000	Significant correlation	Rejected
Monitoring Vs Overall Financial Accountability	.629**	.000	Significant correlation	Rejected

**. Correlation is significant at the 0.01 level (2-tailed).

The findings in Table 3 reveal that the construct of monitoring has a significant positive correlation with all elements of financial accountability (all sig.-values < 0.05). This means that an increase or improvement in monitoring will also increase/improve financial accountability in these county governments. To test the predictive strength monitoring has over financial

accountability, the mean index on financial accountability was regressed against the mean index of monitoring.

4.3 Results of Multivariate Analysis.

As also pointed out by Kline (2011), the researcher wanted to establish the extent to which financial accountability is predicted by monitoring. The regression results are presented in table

Table 4: Regression Analysis for Monitoring and Financial Accountability

Variables Regressed	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision Ho
Monitoring Vs. Financial Accountability	.396	.393	180.710	.000	Significant effect	Rejected
Standardized Coefficients	Beta		T			
(Constant)	1.473	.158	9.316	.000		
Monitoring	.629	.043	13.443	.000	Significant effect	Rejected

According to the results in Table 4 monitoring explained 39.6% towards variations in financial accountability of the county governments ($R^2 = 0.396$). So the remaining percentage, 60.4% was accounted for by other factors other than internal monitoring. The F-statistic and the sig. value reveal that the model was significant at 0.01 level of significance. Based on this, the null hypothesis was rejected, indicating that monitoring was found to be a significant determinant of financial accountability. The magnitude of the beta suggested that monitoring positively and significantly influenced financial accountability ($\beta = 0.629$, $t=13.443$ and $p = 0.000$). This suggests that a one unit increase or improvement in monitoring will bring a 0.629 increases or improvement in financial accountability, leaving other factors constant

5. Discussion.

From the analysis, the views of the respondent indicate that there was generally high level of monitoring in South Nyanza County Government in Kenya, with mean index of 3.63 (SD=0.729), which also falls under high on the interpretation scale. This is further supported by the bivariate results that indicated a positive and significant relationship between monitoring and financial accountability. It is therefore, necessary for the county government to consider monitoring as an important component to help in achieving its objectives. This means monitoring play a vital role in influencing financial accountability in county government in Kenya. The Pearson's linear correlation results revealed a significant positive relationship between monitoring and all the three elements of financial accountability in the said county governments (all p -values < 0.05). The findings from simple linear regression revealed that monitoring has a significant effect on financial accountability, accounting for 39.3% towards its variation.. Monitoring helps to check the financial activities of a company, to ensure that they are the determined course and the objectives are being achieved (Theofanis et al., 2011). The findings of this study are in correspondence with earlier studies such as Simiyu (2011) whose findings established that there was a relationship between monitoring and financial accountability in parastatals of Kenya. Similarly Mutai (2009) indicated that monitoring would help the organization to spearhead its activities efficiently. Other authors whose finding are in agreement with this study include; Ademola and Alade (2015) who suggested that monitoring of internal control systems helps in detecting fraud and protect assets of organization for proper accountability and Amundo and Inanga (2009) contended that monitoring of activities in organizations enhances efficient functioning of internal control systems. Also in support was Marus et al. (2018) who indicated that monitoring has the potential to prevent errors and fraud, enhance financial reporting and increase adherence to organisational laws and regulations.

6. Conclusions

The study concludes that monitoring have significant and positive relationship with financial accountability. It is therefore, important for county Governors to consider issues relating to financial accountability very important in the management of finances of the county government of Kenya. The final stand of the researcher in this study

does not deviate from the theoretical and previous researchers' position. Thus, a strong and effective monitoring system will increase the level and quality financial accountability and vice versa

7. Recommendations

The Researcher also recommends that the County government should establish proper tool for monitoring government activities for example they should improve their master schedule to help in monitoring towards the achievement of its objectives this can improve financial accountability. The County governments should have suitable tools for monitoring their financial accountability so as to successfully observe their goals, the growth they make and all the key performance metrics all through their financial operations. As a matter of recommendation, this study suggests that monitoring should be part and parcel of day-to-day operations of all County governments in Kenya.

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