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Determinants of Prudent Financial Management in the County Government of Kiambu, Kenya

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ABSTRACT

Purpose: This study investigates the influence of financial planning, internal control systems, information communication systems, and procurement systems on prudent financial management in the County Government of Kiambu, Kenya. The study is based on the theory of public expenditure, systems theory, and transaction cost theory.

Methodology: The study employed a descriptive research design targeting 190 senior, middle, and junior financial management staff of Kiambu County government, primarily consisting of accountants, finance officers, revenue officers, internal auditors, and procurement officers. From this group, a sample size of 129 respondents was drawn using Taro Yamane's proportional sampling technique formula. Structured questionnaires were utilized to collect primary data, and a piloting of the research instrument was conducted in the Bungoma County government to ensure content validity, with Cronbach's alpha assessing reliability. SPSS version 24 was the data analysis software used to compute statistical data. Descriptive analysis, including frequencies, means, and standard deviation, was employed to summarize the data into meaningful forms, while inferential statistics assessed the nature and strength of the correlations and direct and multiple relationships. The analyzed data was presented in tables and graphs.

Findings: From the values of unstandardized regression coefficients with standard errors in parenthesis, all the independent variables (financial planning; internal control systems; ICT and procurement system were significant predictors of prudent financial management (dependent variable).

Unique Contribution to Theory, Policy and practice: The study recommends that one, county governments should invest in secure and well-guarded internal control systems to guarantee prudent financial management of the county's public finances and two, county governments must install secure, cost effective and upgraded integrated financial management system devoid of any internal or external infiltration.

Keywords: *E-Government, Financial Planning, Procurement System, Internal Control, ICT*

INTRODUCTION

Background of the study

Prudential regulation is a legal framework that is appropriate for financial operations and a significant contributor towards preventing or minimizing problems in the financial sector. The absence of prudential regulations evidently shown in a number of key areas can result to government failures and systemic instability, while establishing clear, sound and easily monitored financial activities' rules encourages managers to both run their institutions better and facilitates the work of supervisors (Brownbridge, 2002). The major weakness of some financial systems is that various financial institutions, especially public and private institutions in remote areas, do operate completely outside prudential regulations (Brown Bridge, 2002). More so, public sector organizations face more challenging times, thus Government executives are tasked with more strategic responsibilities of financial planning in the face of increasing costs of offering public services and falling tax revenues thus increasing the difficulty and importance of financial planning (Denhardt & Denhardt, 2006). Meanwhile, changing budget priorities at all government levels require the realignment of funding for public sector programs. When public organizations are in the business of utilizing other people's money to provide for the community's wellbeing, public administrators have a responsibility to best utilize the scarce resources available in serving the unending needs of society. Scarcity in public service necessitates proper financial planning for public organizations (Finkler, 2005). In this regard, Comprehensive financial planning process is essentially vertical as it is developed from a given base year and so estimates of revenue and costs are to be based on the base year financial decisions already taken and this would mean that alternative expenditure packages for a program are to be considered based on previously decided financial options. Financial Planning and Management in Public Organizations synthesizes the wide range of issues in public finance into three broad categories: cash management, financial planning, and management control (Kenneth, 2010). As public-sector organizations seek to become more responsive and dynamic, their systems are evolving from tools of organizational control into systems that also incorporate a strong planning perspective (Finkler, 2005). In some countries, there is one single general government operations law that tries to assemble all regulations. However, in many countries, operational issues are left to circulars, statutory notes or even simply the routine decisions of supervisory institution. Other various laws can impact on the operations of financial institutions, for example, security laws, procurement laws, securities laws, company laws, debt recovery laws, and laws on liquidation and bankruptcy (Kirkpatrick, 2002).

Statement of the problem

The devolved governance system that recognizes county governments as tiers of the national government is still a new system of governance that has been adopted in Kenya after the promulgation of the new constitution of Kenya in the year, 2010.Thus the devolved government system involves decentralization of administration from the National government to the 47 devolved units with the major aim of making government resources and service closer to the citizens in the rural areas. Surprisingly, the major tenets of the devolved system of government have not been realized by most Counties in Kenya in what seems to appear that, unexpectedly, the tragedy of massive financial mismanagement in the national government has been devolved to some county governments where financial mismanagement is the order of the day.

To help address the issue of prudent financial management in public institutions where financial mismanagement has been reported, few researchers have used financial planning; Owsiak, 2002); Burns and Grove (2003; Rosilyn, (2007); White (2009); Brunner, 2009; Arasa and K'Obonyo (2012; with little empirical data to adequately address the issue. Further, other scholars; Chenhall and Langfield (1998); Gyawali, 2005); Kibara (2007); Chepkorir (2010) also used internal control systems as sure measures to tame financial mismanagement in public entities but found inconclusive results and seemed intricate especially in political establishments where varied interest thrive.

Further, given the advent of ICT, some researchers; Lodhia, Allam, and Lymer (2004); Majrebiyan (2005; Gallear et al. (2008); Wilson et al. (2015) also tried to use ICT framework as a panacea of financial mismanagement in both private and public institutions but the tools used to measure ICT frameworks were either unreliable or the researches had dissimilar results that could offer valid conclusions. Lastly to help address, the procurement problem which is normally the elephant in the room in most public tender award meetings, some researchers; Kirungu (2002); Kheng and Al-Hawandeh (2002); Williams and Hardy (2007); Amayi (2011) among others did not show consensus on the most efficient and effective procurement system; that is whether non-centralized or centralized procurement, electronic procurement, direct supplies is the most suitable form of procurement that can stop massive embezzlement of funds that take place in the procurement of goods and services in public institutions.

Therefore, the lack of adequate empirical data on what actually should be done to effect prudent financial management in public institutions like the devolved government systems in Kenya prompted this study to investigate the influence of financial planning, internal control systems, Information communication systems and procurement systems on prudent financial management in the County Government of Kiambu, Kenya.

General objective of the study

The general objective of the study was to investigate determinants of prudent financial management in the County Government of Kiambu, Kenya.

Specific Objectives

i) To determine the influence of financial planning on prudent financial management in the County Government of Kiambu, Kenya

ii) To determine the influence of internal control systems on prudent financial management in the County Government of Kiambu, Kenya

iii) To determine the influence of information communication technology on prudent financial management in the County Government of Kiambu, Kenya

iv) To determine the influence of procurement system on prudent financial management in the County Government of Kiambu, Kenya

LITERATURE REVIEW

Theoretical Review

Theory of Public Expenditure

This theory was founded by Adolph Wagner in 1923 and asserts that local authority spending is dictated by what they earn (taxable efforts) or receives from a high-level government. That is, debt, and taxation, builds on a tax smoothing approach that is well-known to fiscal policy. The approach predicts further that governments will then use budget surpluses and deficits as a buffer in preventing tax rates from shifting too sharply (Samuelson, 1954). The theory further indicates that in a progressive society, the activities of the local authorities increase on a regular basis; the increase in government activities is both extensive and intensive, that government undertakes new functions in the interest of the society, the old and the new functions are performed with more efficiency and completeness than before, that the purpose of the government is to meet the economic needs of the people, and the expansion and intensification of government functions and activities (Samuelson,1954. The theory is further used to explain why a revenue collection is expected to increase in a developing society; it also explains why governments should levy taxation depending on level of activities in the local economy; hence hold accountable custodians of government revenue. In this regard for example, transfer of funds to county governments means more money for more projects, subsequently resulting in enlarged government activities in the economy, thus, public finance accountability issues arise. The theory of public expenditure therefore connects to this study in the sense that county government collect revenue from locals and are also financed by the national government; thus, accountability of these public funds has been a major issue in most devolved government systems in Kenya; a case that motivated this study to examine factors that influence prudent financial management in Kiambu County Government.

Systems theory

The systems theory was designed in 1968 by Ludwig von Baranoff which offers a unique way of conceptualizing and studying organizations since it examines actions and their outcomes at a collective level, which demonstrates that the actions and interactions of the individuals determine organization performance (Charlton, 2005). That is, according to the systems theory, managers in most organization recognize how different systems can affect workers delivery and equally how workers can affect the systems around them, hence, different efforts combined make a system work effectively to accomplish goals. Through Systems theory, managers are able to examine patterns and events of occurrences at workplace more effectively which is significant towards coordinating programs to work as a collective whole rather than for isolated departments for the overall goal or mission of the organization (Hawthorne, 2013).

Muruli (2016) noted that Systems theory analysis of management shows that adaptive standardization of processes may lead to a shrinking of the system in the short-term, but in the long-term adaptive standardization leads to further and faster expansion. The analysis upholds that standardization reduces the complexity of some procedural language used within the organization. Therefore, the systems theory is relevant to this study because county governments operate as political entities with systemic problems because of complexities of multiple interests which affect the smooth running of the devolved system of government. The study will thus apply the systems theory in examining the influence of internal control systems, procurement system and the ICT system on prudent financial management in the county government of Kiambu, Kenya.

Transaction Cost theory

This theory based on financial economies of scale states, that organizations encounter the challenge of opportunism when they are in a situation bargaining with a small number of other organizations (Dedrick *et al.*, 2008. Hence then having more suppliers reduces this risk and affords the organization the ability to negotiate better, procurement deals as the buyer is less dependent on any particular supplier and further states that the number of suppliers chosen by an organization encompasses an optimal balance among the following key transaction factors: first, coordination costs and risk opportunism (Dedrick *et al*.., 2008).Therefore, information technology has the potential of reducing coordination costs as procurement processes are standardized and automated, thus reducing the cost of working with more suppliers. Information technology further allows organization to reduce the number of suppliers and focus on low-cost suppliers of standard goods and consolidates their purchases to obtain volume discounts (Dedrick *et al*., 2008).

Therefore, the use of information technology also facilitates the reduction of coordination costs. For example, electronic market places, facilitated through IT, reduce the cost of searching and obtaining information about product prices and offerings (Bakker *et al*, 2008). Collaboration facilitates information sharing by lowering transaction costs as companies can reduce supply chain uncertainty and thus the cost of contracting. For example, if a supplier is unable to accurately predict the price of its product inputs, it will be reluctant to enter into a contract, which locks it into a fixed price for an extended period of time (Arrowsmith, 2002). The transaction cost theory is thus relevant to this study since transaction costs minimized by

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centralized and electronic procurement systems plus efficient budgetary process reflect prudent financial management practices in the county government of Kiambu.

Conceptual framework

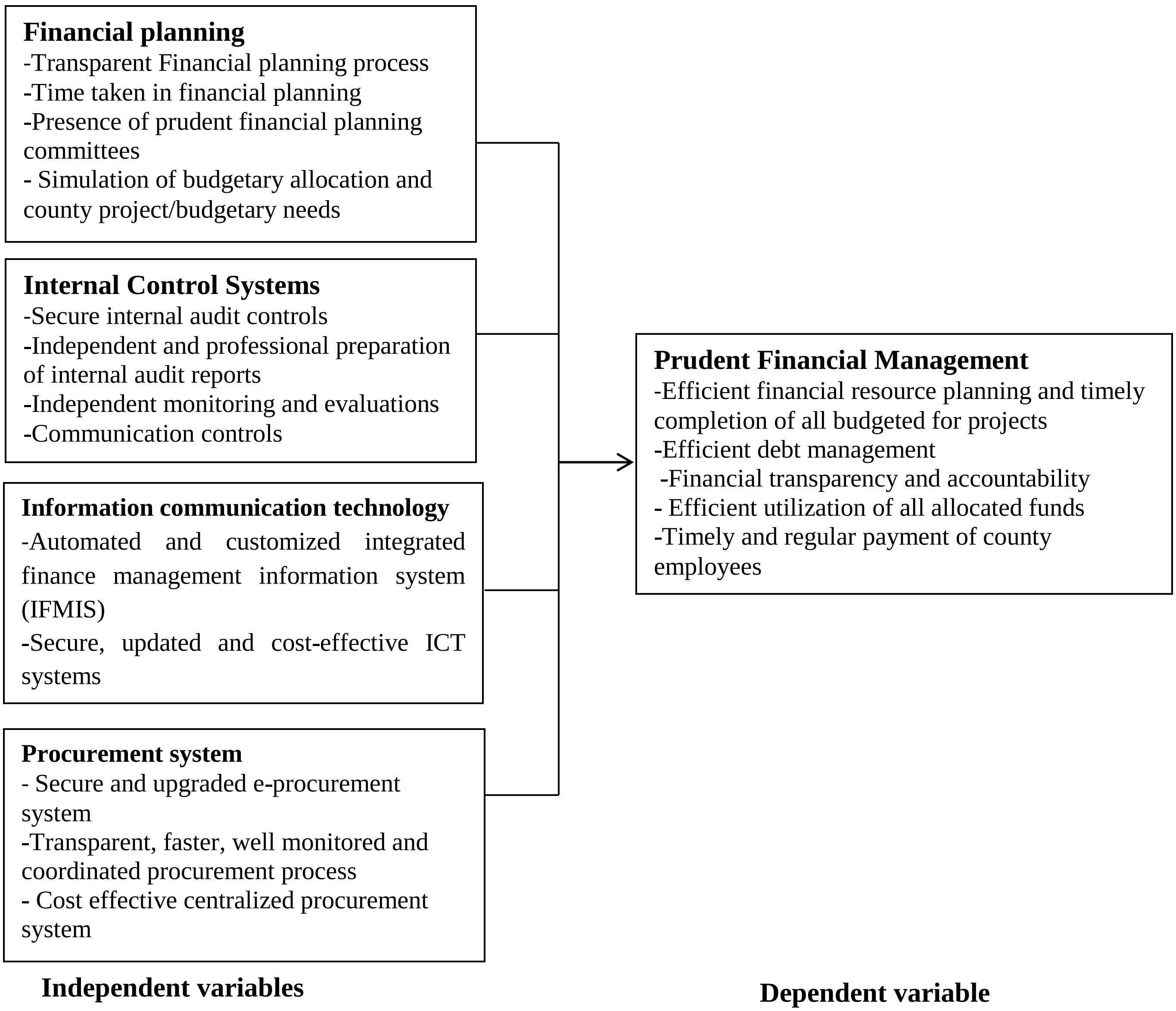

Figure 1 : Conceptual Framework

Critique of literature related to the study

Croom and Brandon (2009) explored lessons learned from the implementation of e-procurement United Kingdom public sectors. They identified issues that are essential and arise from e-procurement implementation. External price and internal cost efficiencies, finance system integration, IT infrastructure and project management. The finding was that realizing the full potential of e- procurement advances in the field of public procurement is a challenge in itself; the survey was based in United Kingdom but not in Kenya hence the need for this research that investigate the influence of procurement systems on prudent financial management in the county government of Kenya.

Further, Smart (2010) examined the role of centralized e-procurement in purchasing management. Results indicated that buyers and suppliers are driven by the ancient procurement systems and that integration among firms was not affected. Conclusion of his study was that centralized e-procurement had no determining effect on purchasing management. The study however focused on purchasing management and did not relate it to prudent financial management which will be addressed by this study.

More so, Sharifai, Mbaraka and Agaba (2013) found out in their research the connection between electronic procurement and the performance of the service organizations in Uganda. The study employed a descriptive survey design with quantitative and qualitative approaches. It established centralized e-procurement has a significant relationship with performance of service organizations. This research mainly focused only on service organizations in Uganda but did not factor in other parameters of central procurement system and how procurement systems depict prudent financial management; a gap that will be addressed by this study.

More so, Maina (2011) found that weak oversight and enforcement, non-transparent practices, lack of effective links between procurement and financial management, poor record management and filing system, and delays and inefficiencies on the implementation of the latest procurement systems as factors influencing the implementation of the procurement law in Kenya; the case of Ministry of Education. The study concluded inefficiencies in procurement led to increased procurement costs, causing longer cycle times, lower quality purchasing decisions within the ministry. However, the study did not include e-procurement systems because, financial management can still be improved if e-procurement is employed with modern control mechanisms; hence all stakeholders in the devolved system of government need to be sensitized on the need of embracing procurement reforms as a key feature of prudent financial management.

Additionally, Dam (2010) investigated the financial risk management framework and the effectiveness of the credit risk management practices at both the firm's and a transaction office's level. Thus, financial risk management practices may influence the financial management, but the study had a research gap since it did not address the effect of professional accounting management and audit practices on prudent financial management of these firms; a gap that this study seeks to fill.

Further, a study by Ndunda et al. (2015) in Nakuru County, found that inadequate finances have resulted in hiring of revenue clerks who have little knowledge and understanding of the-County Government laws. However, inadequate finances are not entirely the cause for hiring revenue staff with little knowledge because there should be on job and continuous training to enhance the employees' skills to execute their respective functions effectively. Further, Ndunda et al., (2015) revealed that there are various ICT based revenue collection systems, generally referred to as electronic payment (E-payment) systems and recommended that human intervention needs to be removed in the payment process in order to eliminate corruption. This is not feasible since technology cannot effectively execute tasks without human intervention. Kimario (2014) also recommended that revenue management be computerized in order to curb corruption opportunities but a major shortcoming of such as assertion is that; with the ever-increasing advent in technology, Kenyans have witnessed very huge frauds at for instance the Kenya revenue authority that have been executed through technology; thus, need of both secure ICT systems and workers with integrity to run the technology.

Research gaps

Most county governments in Kenya have not realized the major tenets of the devolved system of government in what seems to appear that, surprisingly, the tragedy of massive financial mismanagement in the national government has been devolved to some county governments in Kenya where financial mismanagement is the order of the day.

To help address the issue of prudent financial management in public institutions where financial mismanagement has been reported especially in developing countries, few researchers have used financial planning; (Owsiak, 2002); Burns and Grove (2003; Rosilyn, (2007); White (2009); Brunner, 2009; Arasa and K'Obonyo (2012; with little empirical data to adequately address the issue. Further, other scholars; Chenhall and Langfield (1998); Gyawali, 2005); Kibara (2007); Chepkorir (2010) also used internal control systems as sure measures to tame financial mismanagement in public entities but found inconclusive results and seemed intricate especially in political establishments where varied interest thrive.

Further, given the advent of ICT, some researchers; Lodhia, Allam, and Lymer (2004); Majrebiyan (2005; Gallear et al. (2008); Wilson et al. (2015) also tried to use ICT framework as a panacea of financial mismanagement in both private and public institutions but the tools used to measure ICT frameworks were either unreliable or the researches had dissimilar results that could not offer valid conclusions. Lastly to help address, the procurement problem which is normally the elephant in the room in most public tender award meetings, some researchers; Kirungu (2002); Kheng and Al-Hawandeh (2002);Williams and Hardy (2007); Amayi (2011) among others did not show consensus on the most efficient and effective procurement system; that is whether non-centralized or centralized procurement, electronic procurement, direct supplies is the most suitable form of procurement that can stop massive embezzlement of funds that take place in the procurement of goods and services in public institutions.

Therefore, the lack of adequate empirical data on what actually should be done to effect prudent financial management in public institutions like the devolved government systems in Kenya prompted this study to investigate the influence of financial planning, internal control systems. Information communication systems and procurement systems on prudent financial management in the County Government of Kiambu, Kenya.

RESEARCH METHODOLOGY

This study used descriptive survey design. This study targeted 190 senior and middle management staffs within the finance department of Kiambu County government majorly comprised of accountants, finance officers, revenue officers, internal auditors and procurement officers. The sample size of this study was determined by Taro Yamane's proportional sampling technique formula. From the calculation 129 was used in this study as sample size. Respondents were drawn randomly from senior and middle management staff of the county government of Kiambu that have close ties with county finances.

The study's primary data was collected using structured questionnaires. For purposes of this research, all components of the questionnaires were checked and coded to ensure clarity of words and the accuracy of the statements then pre-tested using 10 respondents from the county government of Muranga which neighbors the study area. That is pilot testing was done to ensure the validity and reliability of research instruments. SPSS version 24 is the analysis computer software that was used to compute statistical data; whereby collected data was cleaned, coded and transformed to allow regression analysis. Descriptive analysis such as frequencies, means, and standard deviation was used to summarize data into meaningful form; whereas inferential statistics assessed the nature and strength of the correlations, direct and multiple relationships. Analyzed data was presented in tables and graphs.

RESEARCH FINDINGS AND DISCUSSIONS

Response rate

From a total of 129 distributed questionnaires, 97 were returned when dully filled, thus representing a response rate of 75.2% which is good for generalizability of results to a wider population. The researcher achieved the high response rate by personally waiting for respondents to completely fill the questionnaire before collection and in some case used research assistants where necessary.

Descriptive statistics

Descriptive statistics are responses based on statements measured on Likert scale where; 1. strongly disagree, 2. disagree, 3. uncertain, 4. agree, 5. strongly agree. The results in tables are thus frequencies, their corresponding percentages in brackets, means and standard deviations plus a grand mean which is an average score on study variable.

Financial Planning and prudent financial management

This tested objective one of the studies; influence of financial planning on prudent financial management in the County Government of Kiambu. The results are shown in table 1.

Table 1: Descriptive statistics: Financial Planning (FP)

Statement	5	4	3	2	1	mean	Std.dev
1.The county government adequately plans for all its financial needs in time	12 (12.4)	47(48.5)	9(9.3)	18(18.5)	11(11.3)	3.67	.0865
2.The county government effectively implements all projects that have been financially planned for	9(9.3)	45(46.4)	11(11.3)	27(27.8)	5(5.2)	3.58	0.834
3.The county government only engages in prudent financial activities that have been planned for	11(11.3)	39(40.2)	5(5.2)	33(34.0)	9(9.3)	3.49	0.757
4.The county government finance planning committee engages in prudent financial planning process	10(10.3)	48(49.5)	12(12.4)	21(21.6)	6(6.2)	3.65	0.836
5.The county government's financial plan simulates with the county resource allocations and collections	13(13.4)	46(47.5)	8(8.2)	26(26.8)	4(4.1)	3.48	0.978
6.Generally, the county government has a prudent financial planning system	8(8.2)	41(42.3)	4(4.1)	38(39.2)	6(6.2)	3.51	0.873
Valid listwise 97							
Grand mean = 3.563							

Most respondents agreed (48.5%) or strongly agreed (12.4%) that the county government plans its finances on time, though 18.5% disagreed. While 55.7% felt project implementation was effective, 27.8% disagreed. Only 40.2% agreed that all financial activities were prudently planned, with 34.0% disagreeing. Notably, 59.8% endorsed the finance planning committee's prudence. A majority (60.9%) also agreed that financial plans align with resources. Overall, 50.5% viewed the system as prudent, supported by a grand mean of 3.563 on the Likert scale.

Internal Control Systems and prudent financial management

This examined objective two of the study in regard to the influence of internal control systems on prudent financial management in the County Government of Kiambu. The results obtained are presented in table 2.

A majority of respondents in Kiambu County affirmed prudent financial management: 50.6% agreed and 5.2% strongly agreed on legal authorization of transactions, while 48.5% agreed and 13.4% strongly agreed on effective internal audit controls. Mixed views were observed on impromptu audits (42.3% disagreed; 41.2% agreed) and audit report integrity (40.2% agreed; 39.2% disagreed). Additionally, 55.6% confirmed proper receipting and posting of transactions. Overall, 43.3% agreed on transparent controls, with a grand mean of 3.485 (Agree).

Table 2: Descriptive Statistics: Internal Control systems

Statement	**5**	**4**	**3**	**2**	**1**	**mean**	**Std.dev**
1.There is legal authorization and reconciliation of all financial transactions	5(5.2)	49(50.6)	3(3.1)	29(29.8	11(11.3)	3.49	.0843
2.There are adequate internal audit controls to detect, deter, and mitigate any suspected fraudulent transactions	13(13.4)	47(48.5)	9(9.3)	21(21.6)	7(7.2)	3.43	0.812
3.There are impromptu internal audit inspections to check illegal financial transactions	7(7.2)	40(41.2)	4(4.1)	41(42.3)	5(5.2)	3.51	0.787
4.Audit reports are prepared independently devoid of any internal manipulation and diligently submitted to relevant higher audit authorities	6(6.2)	39(40.2)	5(5.2)	38(39.2)	9(9.2)	3.47	0.783
5.Internal audit system ensures that all financial transactions are receipted and posted in relevant financial management books	9(9.2)	45(46.4)	7(7.2)	22(22.7)	14(14.5)	3.52	0.889
6.Generally, there are transparent, reliable and well-coordinated internal control mechanisms that reflect prudent financial management	11(11.3)	42(43.3)	10(10.3)	19(19.6)	15(15.5)	3.49	0.776
Valid listwise 97							
Grand mean = 3.485							

ICT system and prudent financial management

This assessed objective three of the study; influence of information communication on prudent financial management in the County Government of Kiambu. The results are shown in table 3 below;

Table 3: Descriptive statistics: Information Communication Technology

Statement	5	4	3	2	1	mean	Std.dev
1.The county government has adopted automated & secure financial related information communication technology system	10(10.3)	51(52.6)	4(4.1)	17(17.5)	15(15.5)	3.51	.0814
2.The county government's finance management information system is user friendly	13(13.4)	49(50.5)	7(7.2)	23(23.7)	5(5.2)	3.67	0.881
3.The county government 's finance management information system is cost effective	12(12.4)	46(47.4)	9(9.3)	19(19.6)	11(11.3)	3.55	0.853
4.There is a secure integrated finance management information system	14(14.4)	48(49.5)	10(10.3)	18(18.6)	7(7.2)	3.72	0.869
5.Frequent changes in financial management information systems affects prudent financial management	10(10.3)	47(48.5)	7(7.2)	23(23.7)	10(10.3)	3.63	0.828
6.Generally, the county government's financial management systems influence prudent financial management	15(15.5)	52(53.6)	4(4.1)	19(19.6)	7(7.2)	3.58	0.797

Valid listwise 97
Grand mean = 3.61

Most respondents (52.6%) agreed, and 10.3% strongly agreed, that the county government has adopted secure and automated financial ICT systems, improving financial service delivery. Additionally, 50.5% agreed, and 13.4% strongly agreed, that the finance management system is user-friendly. Furthermore, 47.4% agreed, and 12.4% strongly agreed, that the system is cost-effective. 49.5% agreed, and 14.4% strongly agreed, that a secure integrated finance management system is available. Overall, 53.6% agreed, and 15.5% strongly agreed, that the systems support prudent financial management.

Procurement system and prudent financial management

This assessed objective four of the study; influence of procurement system on prudent financial management in the County Government of Kiambu. The results are shown in table 4 below;

Table 4: Descriptive statistics: Procurement system

Statement	5	4	3	2	1	mean	Std.dev
1.The county government has a transparent, secure & upgraded e-procurement system that reflect prudent finance management	5(5.2)	39(40.2)	11(11.3)	31(32.0)	11(11.3)	3.58	.0822
2.The procurement committee is engaged in well-coordinated and financially accountable activities	4(4.1)	35(36.1)	15(15.5)	33(34.0)	10(10.3)	3.49	0.809
3.The county government has adopted a centralized procurement system as a Prudential Financial mgt practice to save costs	9(9.3)	52(53.6)	6(6.2)	17(17.5)	13(13.4)	3.56	0.773
4.The county government procurement process is faster, well monitored, coordinated and cost effective	7(7.2)	46(47.4)	10(10.3)	25(25.8)	9(9.3)	3.47	0.795
5. The county government procurement system has really minimized transaction costs	13(13.4)	51(52.6)	7(7.2)	20(20.6)	6(6.2)	3.54	0.818
6.Generally, the procurement system practiced in the county government reflects prudent financial management	10(10.3)	49(50.5)	10(10.3)	21(21.7)	7(7.2)	3.57	0.827
Valid listwise 97							
Grandmean = 3.535							

A majority of respondents (40.2% agree, 5.2% strongly agree) believe the county's e-procurement system reflects prudent financial management, though 32% disagree, indicating concerns over transparency. Mixed reactions were seen regarding the procurement committee’s coordination and accountability (36.1% agree, 34% disagree). Most respondents (53.6% agree, 9.3% strongly agree) think the centralized system saves costs and improves efficiency. Overall, 50.5% agreed and 10.3% strongly agreed that the procurement system reflects prudent financial management, with 21.7% disagreeing.

Inferential statistics

Correlation Analysis

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The correlation analysis in table 5 shows that all independent variable (financial planning, internal control systems, ICT, procurement system) had significant bivariate relationship with the dependent variable (prudent financial management).

Table 5: Correlations

		Financial Planning	Internal Control Systems	ICT	Procurement System	Prudent Finance Mgt
Financial Planning	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	97				
Internal Control Systems	Pearson Correlation	.716**	1			
	Sig. (2-tailed)	.000				
	N	97	97			
ICT	Pearson Correlation	.554**	.534**	1		
	Sig. (2-tailed)	.000	.000			
	N	97	97	97		
Procurement System	Pearson Correlation	.549**	.559**	.579**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	97	97	97	97	
Prudent Finance Mgt	Pearson Correlation	.679**	.773**	.661**	.743**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	97	97	97	97	97

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

Multiple Regression Analysis

Linear regression analyses showed both the F values and the corresponding significant values that the four independent variables (financial planning, internal control systems, ICT, procurement system) are indeed different from each other and that they affect the dependent variable (prudent financial management) in a different manner, hence, the possibility of running multiple regression. Requisite model assumptions for running multiple regression analysis were also checked and met. The results are shown in table 6. The results in table 6 shows that the F-statistics produced is significant (F=77.615, *significant* at *p<.001*), thus confirming the fitness of the model. For an R square of 0.771, we can say that the study model explains 77.1% of the variations in the prudent financial management in the county government of Kiambu, while other factors not in this study model accounts for 22.9%, thus, it is a good model.

Table 6: Multiple regression analysis

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.878[a]	.771	.761	.20963	.771	77.615	4	92	.000

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	13.643	4	3.411	77.615	.000[a]
	Residual	4.043	92	.044		
	Total	17.686	96			

a. Predictors: (Constant), Procurement System, ICT, Internal Control Systems, Financial Planning

b. Dependent Variable: Prudent Finance management

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis in table 7, all the independent variables (financial planning; β = 0.250 (0.050) at *p<0.01*; internal control systems; β = 0.224 (0.063) at *p<0.05;* ICT; β = 0.611 (0.050) at *p<0.01*, procurement system*; β = 0.166 (0.048) at p<0.05;* were significant predictors of prudent financial management (dependent variable). Therefore, the multiple regression equation for overall significant multiple influence of the independent variables (financial planning, internal control systems, ICT, procurement system) on Prudential Financial management in the county government of Kiamby (dependent variable) is;

Prudent Financial Management = 0.720 +0.250 Financial planning +0.224 Internal control systems + 0.611 ICT + 0.166 Procurement system

Table 7: Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	.720	.177		4.071	.000
	Financial Planning	.250	.050	.360	4.985	.000
	Internal Control Systems	.224	.063	.290	3.545	.001
	ICT	.611	.050	.716	12.144	.000
	Procurement System	.166	.048	.196	3.457	.001

a. Dependent Variable: Prudent Finance management

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

First the study concludes that financial planning is a significant aspect of prudent financial management in county governments because it assumes that whatever is spent must first be planned for, by the county finance planning committee.

Secondly internal control systems significantly influence prudent financial management in the county governments, since secure internal control mechanisms minimize financial scams in the county governments.

Thirdly, information communication technology significantly influences prudent financial management in the county governments, thus investment in secure, cost effective and upgraded integrated finance management systems can deter imprudent financial mismanagements in county governments.

Lastly, procurement system significantly influences prudent financial management in county governments and therefore, investing in secure and centralized electronic procurement systems can really boost prudent financial management in the county governments.

Recommendations

First, the county governments should appoint wise and transparent county finance committee members with unquestionable integrity who will be trusted with prudent financial planning of the county finances.

Secondly, county governments should invest in secure and well-guarded internal control systems to guarantee prudent financial management of the county's public finances.

Thirdly, county governments must install secure, cost effective and upgraded integrated financial management system devoid of any internal or external infiltration.

Fourthly, county governments must invest in a centralized and secured electronic procurement system to ensure that procurement processes and payments are transparent and free from internal or external manipulations.

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