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Relationship between Financial Management Practices and Financial Sustainability of the County Government of Nauru, Kenya

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Abstract: *The study evaluated the relationship between various financial management practices and financial sustainability focusing on the County Government of Nakuru. Specifically, the study examined how financial controls are related to financial sustainability. The study was guided by the agency theory and resource-based theory. The study employed descriptive research design. The study utilized quantitative approach in the collection of data. The study population constituted a total of 84 accountants, finance officers, auditors, revenue officers, and Sub-County administrators working with the County Government of Nakuru. A census design was adopted. A set of structured questionnaires was employed to aid in data collection. The research questionnaire was pilot tested in order to determine its validity and reliability before it was used to facilitate collection of data for the main study. The Statistical Package for Social Sciences Version 24.0 computer software was used to facilitate data analysis. Data collected from the questionnaires were analyzed using descriptive and inferential statistics. The findings were presented in form of tables. It was established that financial controls were positively and statistically correlated to financial sustainability ($r = 0.305$; $p < 0.05$). It was revealed that 9.30% variation in financial sustainability of the County Government of Nakuru could be explained by the studied financial management practice. It was concluded that financial controls was likely to result in improved financial sustainability. As a way of improving its financial sustainability, the county government is recommended to minimize its expenditures.*

Keywords: *Cultural orientation, County Government of Nakuru, financial controls, financial management practices, financial sustainability,*

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I. Introduction

The bottom line of good government and good business lies in the soundness of the financial management system. This is grounded on the assertion that financial management system facilitates both internal and external stakeholders to have an understanding and control over how an entity plans for and utilizes financial resources. It is stated that there exists four main practices of financial management. These include budget management, financial controls, value management, and also governance and accountability. Each practice is characterized by a set of inter-related activities whose execution is subject to other activities. Budget management entails management of sources of funds and expenditure, and also allocating the aforesaid resources in tandem with organizational priorities and cost effectiveness of the resources.

Financial controls go beyond sheer compliance exercise. Instead, they are also required to factor in strategic understanding of the main organizational uncertainties, and also their potential costs and benefits. It is stated that, conventionally, both internal controls and risk in government are associated with various financial concepts such as accuracy of accounting data and financial statement misstatement [1].Sustainable finance is about addressing environmental, social, and governance impacts of financial services [2]. In addition, the sustainability element includes a longer term financial dimension and an institutional governance framework. Financial sustainability is key concern as far implementation of devolution strategy is concerned.

Local authorities in developing countries continue to play a small role in public service delivery with a few notable countries such as a China and Brazil [3]. The role of local authorities in these countries (China and Brazil) has progressively increased. The small role played by the local authorities in developing countries may be as a result of heavy regulation of the local authority activities and inadequacy of financial resources [4]. This implies that local authorities have limited autonomy in expenditure decisions and hardly any in revenue-raising decisions.

More so, it is posited that, although many African countries have pursued decentralization reforms, these reforms have not managed to bring about effective governance [5]. This study concludes that failure in reforms occurs in four areas which inhibit distribution of substantial resources. These four areas are planning and capital investment, budgeting and fiscal management, personnel systems and management, plus finance and revenue. An investigation on fiscal performance in terms of own-revenue collection and sustainability of local municipalities in South Africa was conducted [6]. This investigation noted that a large number of municipalities do not comply with the requirement that a “reasonable” amount of current expenditures be financed by means of own resources. Furthermore, local governments finances are featured by substantial variance as far as collection of own income is concerned.

It is reported that poor financial management practices has significantly contributed to budget implementation crisis in county governments in Kenya [7]. It is stated that, financial management practices actually impact on implementation of budgets by county governments. In the same perspective, some of the financial management practices in respect of county governments include among others, financial planning, budgeting, sourcing of funds, allocation and control of funds [8]. According to the author, the aforementioned practices explained 41.1% of financial performance of the County Government of Mombasa. Other financial management practices in relation to county governments include records management and internal monitoring of public funds [9].

The county governments in Kenya were established in the year 2013 after the general election. These county governments took over from the previously existing local governments. Therefore the counties were supposed to advance the work local governments were performing in addition to other functions that were devolved to the county governments. To perform these functions, the county needs to have sustainable financial capacities. However, most of these counties have been expressing lack of sufficient funds to finance their budgets and effectively perform their functions. Granted that the devolved governments do not have control over the use of the revenue they collect within their jurisdictions, their sustainability is more likely to be dependent on the financial management practices. This study, therefore, sought to establish the influence of financial management practices on financial sustainability of Nakuru County Government, Kenya

II. Statement of the Problem

Since the inception of county governments in early 2013, several functions have been devolved from the national government. In tandem, the county governments have since then been in charge of billions of Kenya shillings, the largest part of which is disbursed by the Exchequer. The county governments are envisioned to lead the process of development at the grassroots and spur the rate of economic growth in Kenya. However, since 2013, most of the county governments have reported budget deficits resulting in their inability to sufficiently fund both recurrent and development expenditure within their jurisdictions. The foregoing has been manifested by some county governments’ incapacity to pay suppliers and contractors timely and as such are operating on debt. The numerous industrial strikes by staff working with devolved governments as exemplified by recent strike by public health staff in Kenya further put the issue of financial challenges into perspective. This implies that much of the allocated amounts to the counties are barely sufficient to meet all of the county governments’ expenditures; a fact that raises the question of their financial sustainability. There is glaring mismatch between the budget estimates and the amounts eventually disbursed to the county governments. For instance, according to the Nakuru County Government Outlook, in 2015/2016 financial year, the budget estimates for the county government of Nakuru was Ksh 13.98 billion whereas the amount disbursed to the county government was Ksh 10.28 billion. In the same breadth, the county government spent a total of Ksh 10.38 billion. The latter assertion justifies why the county government has run into debts. In relation to financial sustainability, debt management, which is one of financial management practices is also put into perspective alongside financial controls, and accountability. The foregoing realization coupled with scarcity of empirical evidence on the same necessitated conducting this study on the relationship between financial management practices and financial sustainability of the County Government of Nakuru in Kenya.

III. Objectives of the Study

3.1 General Objective

The study sought to establish the relationship between financial management practices and financial sustainability of Nakuru County Government, Kenya

3.2 Specific Objective

To determine the relationship between financial controls and financial sustainability of Nakuru County Government

IV. Research Hypothesis

H_0: There is no statistically significant relationship between financial controls and financial sustainability of Nakuru County Government.

H_A: There is statistically significant relationship between financial controls and financial sustainability of Nakuru County Government.

V. Theoretical Review

The study was anchored on two theories, that is agency theory and resource based theory of competitive advantage.

5.1 Agency Theory

Agency theory addresses the Agency issue in which one party (the principal) delegates work to another (the agent), who performs that work [10]. There is an agency relationship when the actions of one individual affect both his welfare and that of another person in an explicit or implicit contractual relationship. The individual whoundertakes the actions is the agent and the person whose welfare (utility), measured in monetary terms, is affected by the agent's actions is called the principal [10].

The typical case of agency relationship is the one that exists between an employer (the principal) and his employee (the agent). In an agency relationship, the principal wants the agent to act in the principal's interest. However, the agent is expected to have his own interest and consequently, he may not act in the principal's best interests. An agency relationship is a contract under which one or more persons (the principal), engage another person (the agent) to perform some service on their behalf which involves delegating some decision making Authority to the agent. If both parties to the relationships are utility maximizers, there is a good reason to believe that the agent will not always act in the best interests of the principal [10].

Then, the principal's problem is consequently to design an incentive contract that induces the agent to undertake actions that will maximize the principal's welfare. However, both the principal and agent are confronted with uncertainty. This uncertainty may appear in various ways. First, the principal is uncertain about actions undertaken by the agentand/or information held by the agent. The mainstream-economic theory terms theprincipal's uncertainty state asymmetric information. There is a state of asymmetric information because the agent holds information that the principal does not have.

Second, uncertainty bears on the outcomes of the agent's actions. An agent is uncertainabout the outcomes of his actions. For the principal, this latter phenomenon manifestsitself more precisely in the fact that the principal is uncertain about the causality betweenagent's actions and the outcomes. This state of uncertainty and the resulting state ofasymmetric information that exists between the principal and his agent impose certain constraints which complicate the forming of the contract [11], [12], and [13]. Agency theory may be useful in explaining the financial sustainability situation in the county governments. For instance, the theory could explain how the selfish actions of county government management (agents) affect the welfare of residents (principals). Their actionsinclude how they misappropriate the funds of the county government and also how theymake non optimal decisions as far as utilization of financial and non-financial resources are concerned [14], [15].

5.2 Resource Based View

The resource-based view (RBV) provides valuable insights into why firms with valuable, rare, inimitable, and well organized resources at their disposal may have a competitive edge over the others and enjoy superior performance. Resources are either tangible or intangible in nature. It is observed that the RBV formulates the firm to be a bundle of resources [16].In other words, it is these resources and the way that they are combined that distinguishes firms from each other. It is essentially an inside-out approach of analyzing the firm implying that the starting point of the analysis is the internal environment of the organization.

The RBV theory relies on the firms' internal attributes to explain firms' heterogeneity in strategy and performance. Based on this view, a firm can be taken as an organized, unique set of factors known as resources and capabilities which are related sources of advantages to the firm. Resources are a firm's accumulated assets, including anything the firm can use to create, produce, and/or offer its products to a market. Resources are eligible for legal protection (as such, firms can exercise property rights over them); can operate independently of firm members; and can intervene as factors in the production process to convert input into output that satisfies needs [17]. Resources such as capital, equipment, and the skills of individual employees, patents, finance, and talented managers form the necessary inputs into a firm's production process [16].

Moreover, the resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The business strategy chosen should allow the firms to best exploit its core competencies relative to opportunities in the external environment. This theory is suitable for examining the financial sustainability of the county government and will therefore, be adopted in this research since it focuses on the firms' internal environment. The environment in this case is the ability of the county government to grow and have diverse sources of funds.

County governments are economic institutions in spite of the fact that they are nominally non-profit making institutions. This view is supported by the fact that they extract capital to pursue their objectives from scarce resources owned by the society such as land, labour and human resources. Presently, the concept of economic rent and the view of the company as a collection of capabilities dominate the business strategy resource-based theory or resource- based view (RBV) of firms. It is pointed out that this approach to competitive strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making [18].

VI. Empirical Review

Empirical studies reviewed touch on financial controls and financial sustainability.

6.1 Financial Controls and Financial Sustainability

An empirical research study has cautioned against the high dependency of local government on transfers and grants from central government [19]. They argued that this exposes the local government entities to financial risk and makes local government vulnerable as the high dependency on transfers and grants discourages local government entities from raising their own revenues. This high dependency also reduces discretion when it comes to making decisions and devising policies. The issue of high dependency was also addressed by the National Audit Office (NAO) in a study conducted on local authorities in Britain [20]. The NAO found that the reduced government funding of local government exposed local government to financial risk as they were highly dependent on government grants and transfers. The study also noted that with the reduction of funding from central government there was a reduction in service delivery levels. This indicates the clear risks associated with a high dependency on government grants and transfers.

A study conducted in South Africa examined the effectiveness of internal control mechanisms in monitoring financial resources at the Gauteng Department of Education [21]. The foregoing mechanisms were necessitated by the need to maintain clean financial reports. The effectiveness of internal controls was characterized by five key elements. These included control environment, control activities, risk assessment, information and communication, and monitoring. The study established that government departments were required to develop policies that would facilitate better management of public funds. It was further revealed that it was quite complex to implement internal control policies. In tandem, it was found that various factors determined the foregoing implementation. They included human capital, technological systems, and also involvement of key stakeholders.

It is observed that the size of the local government plays an important role in determining its financial performance [19]. They argued that it is easier to raise revenues from bigger local governments than small governments in terms of size of jurisdiction area and economic scope. This they observed was due to the large tax and revenue base in bigger jurisdiction than the small ones. Therefore, the bigger local governments are less reliant on transfers and grants from national government as compared to smaller local governments. As a result of this and the available skills base, bigger local governments are more likely to manage revenue and expenditure better. The better management of revenue and expenditure is an important function in the financial performance of local government. This view is also supported by a previous study [22]which referred to the concept of “critical size”. The author argues that the size of the municipality affects the quality and quantity of the tax base and revenue base. He further argues that as a result of their size, bigger municipalities are able to introduce the benefits of economies of scale on their spending side as well.

A local study sought to examine the effects of aid on government fiscal behavior [23]. The study assessed the fiscal response models in an attempt to analyze the effect of aid on various components of government revenue and expenditure. In this respect, the fact that aid is fungible. This implies that aid can be used to fund activities that the recipient government intended to finance in its absence. This has made researchers to examine the extent to which the freed up government resources have been used elsewhere to finance for example, consumption, and debt servicing or tax reductions. This has to some extent been linked with possibilities for creating opportunities for corruption as the freed up resources are not directed to their intended objectives.

Moreover, another study evaluated the effects of financial controls on financial management in Kenya’s public sector [24]. The study centered on National Government departments in Mirangine Sub-County in the greater Nyandarua County. A descriptive research design was adopted. The study found that there was an effective internal control systems that encapsulated clear separation of roles, supervision, and commitment of the management. It was also established that there were weaknesses in the implementation of financial controls. The foregoing was alluded to lack of extending the internal audit function to all departments.

6.2 Financial Sustainability

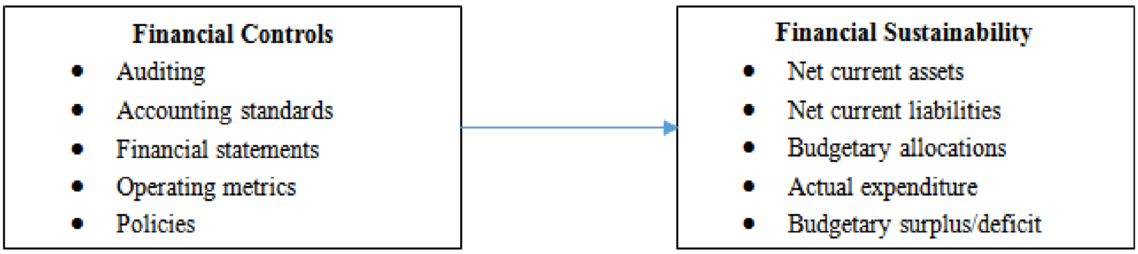
According to International Public Sector Accounting Standards Board (IPSASB), a government equipped with an understanding of the implications of its present decisions for its future ability to meet service requirements may be more careful in its decisions, more proactive in mitigating financial risks andmore disciplined as a provider of public goods and services [25]. It should be noted, however, that not all local governments may find long-term sustainability analysis useful. There may be no users of this information in entities with limited revenue raising powers, no powers to incur debt, and very narrow decision-making powers over levels of service delivery [25].

It is argued that municipal fiscal sustainability in South Africa is under pressure [26]. From a sample of 27 municipalities; it was found that the average revenue collection period is in the range of 150 days and that the lag is on the increase. This translates directly into liquidity problems, increased short-term loans, deficits and the accumulation of long-term debt. Another key finding of the paper is that the number of debtors in the sample and the provision for bad debtare on the increase as well. Even though operating revenue increases, expenditure growth exceedsrevenue growth. As a result the dependence on short-term loans and government grants are on theincrease in many cases.

The International Public Sector Accounting Standards Board (IPSASB) views fiscal sustainability as "the ability of an entity to meet service delivery and fiscal commitmentsboth now and in the future" [25]. It posits that an assessment of fiscal sustainability requires a broad range of data. "These data include financial and non-financial information about current economic and demographic conditions, assumptions about national and global trends such as productivity, the relative competitiveness of the national or local economy and expected changes in demographic variables such as age,longevity, gender, income, educational attainment and morbidity" [25].

VII. Conceptual Framework

A conceptual framework is a diagrammatic illustration of study variables and their presumed relationships. A description of the conceptual framework facilitates identification or study variables and also clarifies relationships among the aforesaid variables. This study conceptualizes a framework establishing a causal relationship between the independent and the dependent variables as shown in Figure 1



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

VIII. Methodology

Research methodology focuses on the procedure that were followed to carry out the entire study. It majorly address the research design, the population, the census design, research instrument, pilot test, data collection, procedure, and data processing and analysis. In addition, the chapter spells out how the study findings were presented.

8.1 Research Design

A research design is a blue print for fulfilling the objectives of the study. Although there are numerous research designs, the study employed descriptive research design. This is because the design is well structured with clearly stated research questions. Descriptive research design was adopted as it enabled the researcher to generalize the findings to the study population. The study utilized quantitative approach in the collection of data. The approach enables data to be systematically collected and analyzed in order to provide a descriptive account of the questions under study [27].

8.2 Target Population

A population is a complete group of entities sharing some common set of characteristics [28]. A target population is the complete group of specific population elements relevant to the research project. A study population is a sub-set of the target population [29], [30]. The target population for this study constituted accountants, finance officers, auditors, revenue officers, and Sub-County administrators working with county governments in Kenya whereas the study population encompassed 64 such employees working with the County Government of Nakuru as outlined in Table 1.

Table 1: Distribution of study population

Department	No of Employees	Proportion in %
Accountants/finance officers	37	44.05
Auditors	13	15.48
Revenue officers	23	27.38
Sub-County Administrators	11	13.09
Total	**84**	**100.00**

8.3Census Design

The size or the number of the study population is the major determining factor of the unit of analysis [31]. In the event the study population is significantly small (N < 100), all the constituents of the study population should comprise the unit of analysis. In this respect, therefore, which is also in tandem with the present study (N = 84), a census design was adopted. In addition to tallying with the aforestated criteria, the choice of census design was premised on the fact that it enhanced the generalization of findings to the study population since it eliminated both the sampling error and sampling bias.

8.4 Research Instrument

The study employed a set of structure questionnaires as the tool for collecting primary data. A questionnaire is the best tool for the researcher who wishes to acquire the original data for describing a population [31]. Questionnaires enable a researcher to reach a large sample within a short time. The questionnaire was composed of short structured close-ended statements constructed on 5 point Likert scale.

8.5 PilotTesting

A pilot study is a minor study that is conducted before the main study with the objective of assessing both the study feasibility and the suitability of the data collection tool. A pilot test is further stated to be a small scale trial run of all procedures planned for use in the main study. The latter is examined through determination of both validity and reliability of the research instrument. The pilot study was conducted among randomly selected finance, auditors, accountants, and revenue officers working with the County Government of Kericho. The respondents in this minor study were 9 which was approximately 10% of the unit of analysis [28]. The participants in the pilot study were excluded from participating in the main study.

8.5.1 Validity testing

It is stated thatvalidity is the extent to which a concept, conclusion, or measurement is well-founded and corresponds precisely to the real world [32]. In other words, the validity of a measurement tool such as a questionnaire is said to be the degree to which that tool measures what it claims to measure. The study determined the content validity of the research instrument. Given that the content validity cannot statistically be determined [33], the researcher sought the expert opinion of University supervisors.

8.5.2 Reliability testing

Reliability is said to be the extent to which a measurement gives results that are consistent. When reliability is upheld, then the research instrument should collect similar data when administered to different sampled populations exhibiting related characteristics. The study employed the Cronbach alpha (α) coefficient to test the reliability of the research instrument. The Cronbach's reliability coefficient above 0.70 in the questionnaire were considered as an indication that the items on the questionnaire are reliable. As shown in Table 2, all the study variables were found to be reliable since they returned alpha coefficients greater than 0.7.

Table 2: Reliability Statistics

Study Variable	Number of Test Items	Cronbach's Alpha
Financial controls	6	0.84
Financial sustainability	8	0.80

8.6 Data Collection Procedure

The researcher first sought the authorization from the University to proceed with data collection. The researcher then made a pre-visit to the field of research to familiarize with field and also book appointments with the relevant officers for data collection. During the pre-visit the researcher sought permission from the county government to be allowed to collect the data from the county government officials. The researcher used drop-and-pick technique in distributing the questionnaires among the respondents and collecting the filled ones.

8.7 Data Analysis

The questionnaires collected from the respondents were ascertained to ensure that only the sufficiently and appropriately filled ones were considered for the study. This was done in order to eliminate incomplete data and minimize outliers in the eventual findings. The Statistical Package for Social Sciences (SPSS) version 24.0 computer software was used to facilitate data analysis. Data collected from the questionnaires were analyzed using descriptive and inferential statistics. In particular, descriptive statistics encompassed, frequencies, percentages, means and standard deviations while inferential statistics will constitute Pearson's product moment correlation coefficient and multiple regression analysis. The findings were presented in form of tables and were interpreted and discussed in line with the study objectives. The following linear regression model was adopted.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \varepsilon}$$

Where:

Y	=	Financial Sustainability
B_0	=	Constant
X_1	=	Financial controls
$\boldsymbol{\varepsilon}$	=	Error term
β_1	=	Regression coefficients

IX. Results, Interpretations and Discussions

This section covers the results of data analyses, related interpretations and discussions. It starts by spelling out the questionnaire return rate. The descriptive and inferential statistics are then presented, interpreted and discussed in line with the objectives of the study.

9.1 Questionnaire Return Rate

Questionnaire return rate, otherwise referred to as response rate, is the number of questionnaires that are filled and returned as a proportion of the total number of questionnaires administered to the respondents. In this study, the researcher issued a total of 84 questionnaires. From this number, 73 were filled and collected from the respondents. This translated to 86.9 per cent return rate. The response rate was considered adequate and resulted from the fact that the questionnaires were administered by the researcher who explained the importance of the respondents to take part in the study.

9.2 Descriptive Statistics and Discussions

The study analyzed various propositions regarding financial management practices, specifically, financial controls, and financial sustainability of the County Government of Nakuru. The views of the staff working with the County Government were presented on a Likert scale. According to the scale, 1(SD), 2(D), 3(U), 4(A), and 5(SA) represented strongly disagree, disagree, undecided, agree, and strongly agree respectively.

9.2.1 Financial Controls

The study evaluated issues touching on financial controls in the County Government of Nakuru. The results illustrating the views of the participating staff regarding financial controls are as shown in Table 3.

It was noted that safe for 13.7%, the county government heavily depends on the national government funding for its operations. However, the respondents were found to hold extreme views regarding this assertion (stddev = 1.007). It was also found that respondents were generally in agreement that the is distinct segregation of duties between the revenue collection from various sources such as parking, land rates and business permits (mean = 4.18); the senior finance managers in the county government are accountable to deliver timely and accurate financial statements (mean = 4.08); and that the stated managers are required to deliver timely and precise operating metrics such as revenue collected (mean = 3.99). In respect of the stated propositions, the respondents held largely similar views (stddev< 1.000).

A total of 75.3% of the respondents either agreed or strongly agreed that the county government has put in place effective internal audit trails for all financial transactions within its purview. Though there was significant variation (stddev = 1.010) in the views of the respondents regarding the assertion that the county government has adopted an accounting standard with knowledge staff who are accountable and responsible for its implementation, there was a general agreement with the statement (mean = 3.92). Moreover, the study established that majority of the respondents either agreed (49.3%) or strongly agreed (23.3%) that there are knowledgeable staff mandated with implementation of finance policies.

Table 3: Descriptive statistics for financial controls

	N	SA	A	U	D	SD	Mean	Std. Dev.
The county government heavily depends on the national government funding for its operations	73	47.9	38.4	8.2	0	5.5	4.23	1.007
There is distinct segregation of duties between the revenue collection from various sources such as parking, land rates and business permits	73	41.1	43.8	11.0	0	4.1	4.18	.933
The senior finance managers in the county government are accountable to deliver timely and accurate financial statements	73	20.5	68.5	9.6	1.4	0	4.08	.595
The senior finance managers are required to deliver timely and precise operating metrics such as revenue collected	73	21.9	64.4	5.5	6.8	1.4	3.99	.825
The county government has put in place effective internal audit trails for all financial transactions within its purview	73	31.5	43.8	15.1	6.8	2.7	3.95	.998
The county government has adopted an accounting standard with knowledge staff who are accountable and responsible for its implementation	73	31.5	42.5	13.7	11.0	1.4	3.92	1.010
There are knowledgeable staff mandated with implementation of finance policies	73	23.3	49.3	19.2	6.8	1.4	3.86	.902

9.2.2 Financial sustainability

The views and/or perceptions of the respondents regarding financial sustainability of the County Government of Nakuru were sought and analyzed. The results obtained from the analysis are shown in Table 4.

Table 4: Descriptive statistics for financial sustainability

	N	SA	A	U	D	SD	Mean	Std. Dev.
The county government takes long period before paying its creditors and suppliers	73	24.7	41.1	15.1	11.0	8.2	4.18	4.877
The actual expenditure of the county government has been increasing for the past 4 years	73	34.2	54.8	5.5	5.5	0	4.18	.770
The county governments limits its borrowing capacity to avoid sinking into debt	73	9.6	39.7	39.7	5.5	5.5	4.11	.609
The county government has recorded increased net current assets for the past 4 years	73	35.6	47.9	1.4	15.1	0	4.04	.992
The budgetary allocations have been on an upward trajectory since 2013	73	37.0	38.4	12.3	6.8	5.5	3.95	1.129
The county government's expenditure per capital has consistently increased in the past 4 years	73	20.5	47.9	21.9	9.6	0	3.79	.881
Over past 4 years, the county government has recorded a decline in net current liabilities	73	19.2	35.6	24.7	13.7	6.8	3.47	1.156
The county government delays paying salaries and wages to the workforce on its payroll	73	15.1	38.4	12.3	15.1	19.2	3.15	1.381
The county government mostly runs on debt	73	13.7	30.1	12.3	35.6	8.2	3.05	1.246
The county government is presently operating on a budgetary surplus	73	8.2	21.9	37.0	24.7	8.2	2.97	1.067

As shown in Table 4, it was revealed that majority of the respondents agreed that the county government takes long period before paying its creditors and suppliers (Agree = 41.1%; mean = 4.18); the actual expenditure of the county government has been increasing for the past 4 years (Agree = 54.8%; mean = 4.18); the county government limits its borrowing capacity to avoid sinking into debt (Agree = 39.7%; mean = 4.11); and also that the county government has recorded increased net current assets for the past 4 years (Agree = 47.9%; mean = 4.04). The views of the respondents in respect of the aforementioned statements were largely similar (stddev< 1.000).

The budgetary allocations have been on an upward trajectory since 2013 according to the majority of the respondents (Agree = 38.4%; Strongly Agree = 37.0%). However, their opinions varied significantly (stddev = 1.129). The views of the majority (Agree = 47.9%; Strongly Agree = 20.5%) were that the county government's expenditure per capital has consistently increased in the past 4 years. There was significant variations in the views of the respondents regarding the assertion over the past 4 years, the county government has recorded a decline in net current liabilities (stddev = 1.156); the county government delays paying salaries and wages to the workforce on its payroll (stddev = 1.381); the county government mostly runs on debt (stddev = 1.246); and that it is presently operating on a budgetary surplus (stddev = 1.067).

9.3 Inferential Statistics and Discussions

This section presents the results of Pearson's correlation and linear regression analysis. Results illustrates the relationship between the independent variable, as characterized by financial controls, and the dependent variable represented by financial sustainability.

9.3.1 Relationship between financial controls and financial sustainability

The relationship between financial controls and financial sustainability of the County Government of Nakuru was analyzed. According to the correlation results shown in Table 5, the relationship between financial controls and financial sustainability of the County Government of Nakuru was positive, weak and statistically significant ($r = 0.305$; $p < 0.05$). The correlation results meant that strengthening financial controls could have led to enhanced financial sustainability of the County Government, while weakening the controls could have resulted in compromising the financial sustainability of the devolved government. The findings herein were in tandem with the assertion that financial risks (linked to poor financial controls) were associated with overdependence on government funding and transfers (lack of financial sustainability) [19].

Table 5: Financial controls and financial sustainability

		Financial Sustainability
Financial Controls	Pearson Correlation	.305**
	Sig. (2-tailed)	.009
	N	73

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

9.3.2 Influence of financial controls on financial sustainability

The data collected were subjected to linear regression analysis with the view of determining the extent to which financial controls influenced financial sustainability of the County Government of Nakuru. The results of the coefficient of determination ($R^2 = 0.265$) as shown in Table 6 implied that 9.30% variation in financial sustainability of the County Government of Nakuru could be explained by the financial controls. Similarly, 90.70% variation in financial sustainability could have been attributed to other parameters that were not part of the present study.

Table 6: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.305[a]	.093	.080	.39194

a. Predictors: (Constant), Financial controls

According to the test of significance results shown in Table 7, it was indicated that the regression model was statistically significant ($F = 7.275$; $p < 0.05$), therefore, relevant for adoption by the study.

Table 7: Analysis of variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.118	1	1.118	7.275	.009[a]
	Residual	10.907	71	.154		
	Total	12.024	72			

a. Predictors: (Constant), Financial controls

b. Dependent Variable: Financial sustainability

The results of regression analysis shown in Table 8 were used to substitute and interpret the following empirical (regression) model.

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

$Y = 2.599 + 0.241X_1$

The model when interpreted indicated that in order for financial sustainability to improve by a single unit ($Y = 1$), the County Government of Nakuru was required to strengthen financial controls by 0.241 unit. This was bound to be the case after holding other factors constant (2.599). The fact that debt management is crucial in respect of financial sustainability of county governments reinforces earlier findings by a study [19]. The study which was conducted in Brazil, found that financial sustainability is associated with financial performance, and that in order to attain financial performance, local government needs to manage debt to adequate levels. This implies that debt management was linked to financial sustainability.

Table 8: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.599	.361		7.190	.000
	Financial Controls	.241	.090	.305	2.697	.009

a. Dependent Variable: Financial Sustainability

The results of the t-statistics as shown in Table 8 facilitated testing of null hypotheses. The null hypothesis (H_0) stated that:There is no statistically significant relationship between financial controls and financial sustainability of the County Government of Nakuru. The findings of the t-statistics ($t = 2.697$; $p < 0.05$) as shown in Table 8 indicated that the relationship between the aforestated variables was significant at 0.05 level of significance (p-value). Therefore, the null hypothesis (H_0) was rejected and the alternate hypothesis (H_a) considered to be true.

X. Conclusions

In relation to financial controls, the study inferred that county government heavily depends on the national government funding for its operations. It was also concluded that there was clear separation of duties between revenue collections from various sources. The study further deduced that senior finance managers are held to account in reference to delivery of timely and accurate financial statements. At the same time, the said managers are required to deliver timely and precise operating metrics. It was concluded that the county government has put in place effective internal audit trails for all financial transactions within its jurisdiction. Though the relationship between financial controls and financial sustainability was found to be considerable, it was concluded to be weak.

Financial sustainability was concluded to be a major issue facing the County Government of Nakuru. It was concluded that the government takes long period before paying its creditors and suppliers besides delaying paying salaries and wages to its employees. Since the inception of devolved governments, the study concluded that the actual expenditure of the county government, budgetary allocations and expenditure per capital had increased. More so, the study concluded that the county government of Nakuru mostly runs on debt though it is currently operating on a budgetary surplus. It was also concluded that strengthening the stated financial management practices was likely to lead to improved financial sustainability.

Recommendations

The study recommended that the County Government of Nakuru alongside other devolved governments should strive towards financial autonomy by ensuring that they are financially sustainable and as such reduce and eventually cease completely from relying on the Exchequer for financial aid. The study also recommended that, though it is vital to have distinct segregation of duties in respect of revenue collection streams, it is advisable for the county government to have a harmonized revenue collection system that can mitigate possible fraud and loopholes through which it can lose financial resources. Moreover, all entities involved in revenue collection and financial management should be held to account for their respective actions and/or inactions that may potentially lead to loss of finances or foregoing of revenues.

The study recommends that the county government should make sure that funds are available so that it can be in a position to pay all its creditors and suppliers without delay. As a way of improving its financial sustainability, the county government is recommended to minimize its expenditures by, for instance, reducing its recurrent budget. The county government is advised to limit its borrowing particularly from commercial banks, and also to seek the advice of the national government before borrowing from international financiers. The county government ought to enhance its revenue streams so that it can be in a position to pay its workforce timely.

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