ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 9, Issue 3, pp: (27-37), Month: July - September 2022, Available at: www.paperpublications.org

ENHANCING FINANCIAL MANAGEMENT FOR SERVICE DELIVERY AT COUNTY GOVERNMENTS IN KENYA

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DOI: https://doi.org/10.5281/zenodo.6833147

Published Date: 14-July-2022

Abstract: **This research sought to assess the financial management from the perspective of skills & capacity utilization, records keeping, budgeting and adoption of regulations by County governments in Kenya for purposes of enhancing service delivery to the public. A descriptive survey of 20 counties drawn across the former eight provincial /regional administrative units was conducted between 2018 and 2019. The findings indicate that most counties were constraint with skills and capacity across various sections including budgeting, records management and regulation.it was noted that Counties generated various types of records including policy related records, financial records and auditing records whose management was curtailed by inadequately trained staff, lack of records disposal and retention schedules, inadequate equipment and space, moderate policies and standards notwithstanding. While positive strides had been made in the most counties' budgeting process especially towards 2019 /2020, there was need to enhance coordination between national and county departments, political independence, stakeholder involvement, funding process and spending against limited revenue to best meet the needs of the public. Reviewing and re-designing IFMIS system to capture information from PBB are the essential next steps for improving budgeting at the county level. Strict adherence to the Public Financial Management Acts and other County legislations and regulations was equally noted to be critical and most counties struggled with the implementation because of weak legislative and enforcement challenges, lack of political goodwill among others. Among various recommendations, the study recommended adoption of a financial management framework that would enhance service delivery at the county governments in Kenya.**

Keywords: **Records, budgeting, regulation, financial management framework, County and service delivery.**

1. INTRODUCTION

The devolution concept was aimed at decentralizing both political and economic powers to the grassroots to address marginalization. The political and economic pillars are at the core of vision 2030 in realising sustainable development. Prudent management of devolved funds at the county governments is key in ensuring service delivery of devolved functions such as provision of health services, roads, transport & public works, Early Childhood Education and Agriculture that are crucial for accelerated economic development within the counties.

However, anecdotal evidence based on media reports suggests that financial mismanagement and other malpractices are taking root and increasing with the uptake and spread of devolved services and functions at the County level in the country. These concerns are confirmed by the increasing number of reports made to the Ethics and Anti -Corruption Commission (EACC) relating to malpractices in procurement, recruitment and rampant unethical practices within the counties, and county governors being summoned to appear before senate and parliamentary public accounts committee to account for missing funds. Informed understanding of financial, and other malpractices by this study at the County level will support a more targeted and systematic intervention to address these vices. The study sought to point out financial management areas that are prone to abuse and unethical practices in the County Governments. This may help scholars, the county governments and policy makers to better understand the prevalence and status of financial malpractices in the devolved system of Government; causes, magnitude, nature, approaches and solutions needed to enhance financial management and ethical conduct in County Governments.

In Kenya, each county is required by the county government act to develop a plan to facilitate development, which forms the basis for all budgeting and spending (County Government Act 2012). The county national treasuries communicate the indicative budget ceilings to the various sectors through the approved County Budget Review and Outlook Paper which gives an indication of how much the health sector will receive. Further, the enacted Public Finance Management Act (PFM Act) 2012 entrenched the use of Program Based Budgeting as the main tool for government sector planning and budgeting, thus harmonizing the two activities. Program-Based Budgets are organized around programs and sub-programs with funds allocation linked to technical priorities and outcomes. It can link sector level technical priorities with budgeting; and enhance transparency, openness, and efficient use of public resources through public participation, Abebe,(2019).

Second, the County Government Act, 2012 requires county governments to develop plans including: Five year County Integrated Development Plan (CIDP), ten year programme based county sectoral plan as parts of the CIDP, county spatial plans and cities and urban areas plans. Intergovernmental Relations Act 2012 grants for the establishment of a framework for consultation and cooperation between national and county governments, and among county governments. It establishes the National and County Government Coordinating Summit which is the apex body for intergovernmental relations. County expenditure should not exceed the county government's total revenue and at least thirty percent of a county budget should go towards development expenditure over mid-term. Borrowings should only be used to finance development expenditure and maintained at a sustainable level approved by the county assembly.

(Inter-governmental Relations Act, 2012.)Therefore, for effective service delivery at the counties, a well elaborate budgeting process that begins with planning, budget formulation, preparation, review, execution/ implementation, evaluation and audit should be in place and executed in strict adherence to the PFM Act 2012.

Counties generate various types of records including policy related records, financial records and auditing records and since records and information are the life bloods of any organization they ought to be well managed for any organization whether public or private to achieve its objectives. Poor records management hinders public service delivery in ways such as it will lead to fraud and lack of ways of detecting it, it will lead to wastage of resources, it will hinder the protection of rights of the county and those of the public or citizens they serve, poor records management will also lead to creation and keeping of unwarranted records, the public will lose the protection and preservation of their institutional memory among other issues, (Abuki 2017).

Records management program is therefore important to all Counties. There is the need to have a records management approved by top management and implemented in the Counties. Its elements such the policies, guidelines and procedures must be clearly stated and understood by all users of the records in the organization and those managing those records. The system must be effective for both paper based and electronic records management, it must also have a disaster management plan that includes handling of vital records. There should be clear procedures on record control and tracking, record filling, retrieval, retention and disposition. The system or program must clearly outline responsibilities of each records management staff, required skills and competencies for every records management position. The primary function of the program must be to facilitate the free flow of information and to ensure that information is available rapidly where and when it is needed.

It is envisaged that with adequate skills and capacity building for county employees, good practices on record keeping and strict adherence to Budgeting processes and regulations as aforementioned above, public service delivery should be enhanced at the counties in Kenya. Thus, this study was based on four objectives:

1. To assess the extent of utilization of skills and capacity in financial management for service delivery at County governments in Kenya

2. To determine the extent to which budget preparation and implementation are used in financial management for service delivery at County governments in Kenya

3. To investigate how record keeping is utilized in financial management for service delivery at County governments in Kenya

4. To establish the extent of adoption of government regulations in financial management for service delivery at County governments in Kenya

Hence, this study aims to improve financial management in institutional arrangement of the counties to enhance their service delivery. Successful implementation is expected to lead to improved fiscal discipline, efficient allocation of public resources, and 'value for money'.

2. METHODOLOGY

This study was conducted between 2018 and 2019. The study adopted a descriptive survey with data drawn from Government of Kenya budget documents, the Integrated Financial Management Information System and reports on the counties' websites. The survey was also implemented based on questionnaire and semi-structured interviews with 20 counties distributed across the former eight regional/provincial administrative units as the strata.

3. FINDINGS

3.1 Extent of utilization of skills and capacity in financial management for service delivery at County governments in Kenya

The creation of National Capacity Building Framework (NCBF) in 2013 was to guide reforms in the public service and give principles for capacity and skills development in view of the transitioning to devolved governments in 47 Counties.

The study established that during the first four years of devolution (2013 to 2016) majority of the counties were not only characterized by low staff levels and skills but also weak if not inadequate technical capacities that impacted negatively on the implementation of Public Financial Management (PFM) for service delivery. It was noted that 30% of the counties surveyed were faced with inadequate technical capacity in terms of number of staff dedicated for budgeting. A number of Departments do not have an economist or budget officers who would be tasked with all issues pertaining to funding for their departments. This could be due to poor planning of HRH resulting in over recruitment of certain cadres/positions. Consequently, there was weaknesses in financial and macroeconomic forecasting and assessment of impact of fiscal policies; lack of consistency in Medium Term Expenditure Framework (MTEF) budgets; minimal uptake of development expenditure; inability to carry out financial analysis of investment projects in order to evaluate the cost and benefits for the project proposals; very weak internal audit system especially with regard to compliance and regulatory aspects.

Additionally, there is a weak link between policy, planning and budgeting with regard to alignment of approved expenditure proposals to ministerial strategic plans and fundamentally the inadequate mechanism to monitor budget implementation and performance for service delivery at county governments was worrying.

The study also noted majority of staff on records management including Record managers and registry clerks were not professionally trained to ensure the management of records is up to professional standards. Perhaps this could be attributed to the notion that in Kenya especially the public sector for a long time records management has never been regarded to need professionals trained and skilled in records and archives management. Professional knowledge means a person has gone to college and university or enrolled in programs that offer records and archives management at certificate and above levels. The person must have experience in the field so as to ensure records management as a unit in the county headquarters is handled professionally. Skills in records management entail ability to perform records management functions such as records organization, tracking, retrieval, filing, retention and disposition. Besides those functional skills it is also important that a records manager have budgetary skills, knowledge in drafting reports, training manuals, policies among others, Abuki **(2017).**

Generally, county inspectorate officers who are commonly referred to as county *askaris* are supposed to enforce the county laws and regulations. A close scrutiny of their performance depicts numerous glitches which should be addressed by the respective county governments to ensure that they discharge their mandates within the confines of the law and uphold human rights. Most of the county *askaris* hardly undergo any training besides the minimum secondary school education requirement and being physically and mentally fit. As a result, the capacity of the county *askaris* is low considering their training schools, curriculum and training modes and length being questionable.

However, from fifth year of devolution (from 2017 to 2019) nearly all county governments made efforts towards addressing the capacity and skills development for the public service. Approaches adopted by the county governments included massive recruitment of qualified staff; mentoring and on-the- job support from qualified but not so experienced experts. These attempts are perceived to be a step in the right direction to address skills and capacity inadequacies that had characterized most counties.

ISSN 2349-7807

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3.2 Extent to which budget preparation and implementation are used in financial management for service delivery at County governments in Kenya

The second objective of the study sought to determine the extent to which budget preparation and implementation are used in financial management for service delivery at county governments in Kenya. The thematic arrear of focus were; budget formulation, approval, implementation and audit.

Access to timely and comprehensive information is deemed critical and crucial if the wider public in Kenya are to meaningfully participate in government decision making such as budgeting. The constitution of Kenya and the 2012 Public Finance Management Act require each of Kenya's 47 counties to publish budget information during the formulation, approval, implementation, and audit stages of the budget cycle. This information allows the public to shape county budget priorities, discuss trade-offs with their representatives in the county assemblies, and track whether the budget is delivering on what was agreed during consultations between the public, executive, and assembly. This study sought information for seven documents in as far county budgeting is concerned; Approved Program Based Budget Citizen Budget (Enacted Budget) ; Annual Development Plan (ADP); County Budget Review and Outlook Paper (CBROP) 2018; Quarterly Budget Implementation Report for the First Quarter ; Quarterly Budget Implementation Report for the Second Quarter and Finance Act 2018.

With regard to whether County budget information being published in a timely manner, the study found out that Only 6 out of 20 counties sampled published their enacted budgets during 2017/2018 to 2018/2019 fiscal year. However, there was an improvement in the 2019/2020 fiscal year where eight counties published their enacted budgets showing 40% of what is expected.

Also, there was a challenge in identifying approved program-based budgets (PBBs). Few counties clearly indicate their budgets as approved versions. Many PBBs that were found online did not indicate whether they were the proposed or approved versions. In addition, to confirm whether the PBBs that were found online were final and approved versions, it was important to look for the related appropriation acts which were also not publicly available. Being able to make the distinction between proposed and approved budget is useful because County Assemblies do make changes to what is tabled each year. Citizens should be able to see the amendments that the assemblies make and that is not possible if the public is not able to tell which version of the PBB they are looking at. In addition, if the version of the budget tabled in the assembly is a PBB, then the approved version has to be in PBB format as well for people to able to track the changes.

For Annual Development Plans (ADPs), 15 counties had published ADPs for 2019/20 online. This was a slight improvement from the September 2018 study, where 12 ADPs for 2018/19 were available online. The final total of 15 ADPs represents a 25 percent increase from the initial assessment in February 2019, where 12 ADPs were available online. This demonstrates that several counties responded to the initial findings by publishing their ADP online, albeit much later than the legally required date.

As for County Budget Review and Quarterly Budget implementation reports, only eight and twelve counties respectively had published their reports online by March 2019. The publication summary is presented in figure 1 below

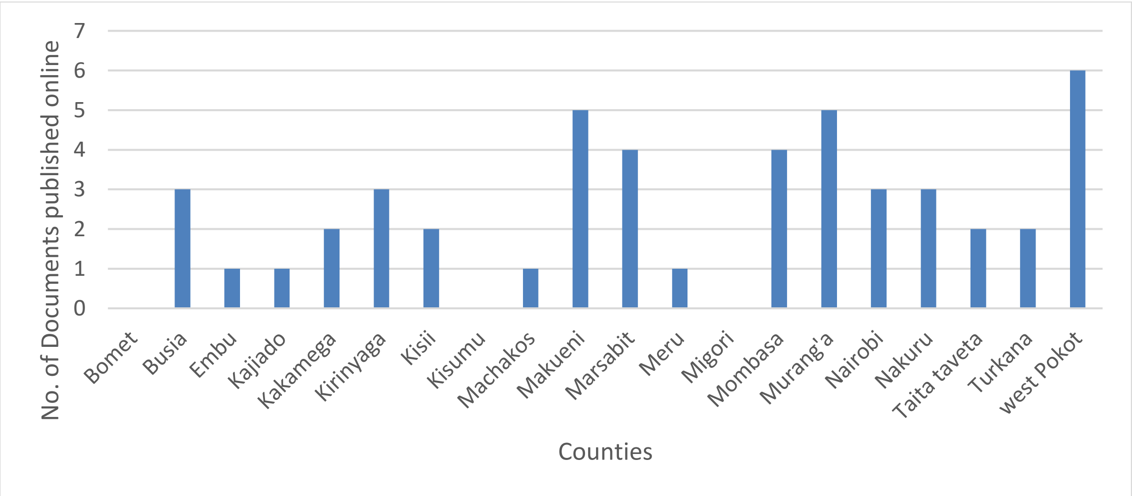

Fig.1 The Number of Documents Published Online per County in March 2019

From figure 1 above, none of the Counties published all 7 documents online. Counties that published more than half of the required documents during the period of assessment were West Pokot (6 documents), Makueni and Murang'a (5 documents each), and Marsabit and Mombasa (4 documents each). Bomet, Kisumu and Migori did not publish any of the documents that were under assessment. The availability of key county budget documents to the public is very key during the four stages of the budget process: formulation, approval, implementation, and evaluation as noted by Kipkorir and Wambui, (2019). The poor publicity of the budget documents as depicted in figure 1 above, could be a possible pointer to derailed budget process from formulation through implementation to valuation and hence limiting service delivery at county governments. Further, these findings are consistent with those of Mugambi and Theuri (2014) who analyzed the challenges that County governments in Kenya face during budget preparation with Kilifi County as a case study, and found that, although budget procedures were present, public participation in the process was absent.

The majority (82%) of the respondents in the counties under study revealed that poor project conceptualization, design and planning practices by ministries and county departments impact expenditure execution. Among other factors that influence budget execution, the respondents pointed out to cash flow problems, late initiation of procurement process and hence late initiation of development projects, IFMIS issues, delays in fund disbursement, corruption and lack of political goodwill among county leadership. Consequently, there was reported hardships in service deliver at most county governments.

In line with the above findings, the respondents alluded to myriad of challenges experienced across most counties that hamper the budgeting process from progressing efficiently. First and foremost, PBB is not linked to the IFMIS system and with line budgets typically uploaded into IFMIS, this makes it difficult to track activities within the PBB. Secondly, there is political interference on already agreed on budgets which sometimes leads to poor execution of budgets resulting in incomplete projects and accumulation of pending bills. Also, poor monitoring and evaluation of projects lead to not only incomplete projects but also poor workmanship on said projects. There are also misplaced priorities which results in no value for money.

Additionally, there are some ministries that thrive on proper coordination between national and county governments however it has been noted that there is poor coordination between the two on projects such as CDF and county health facilities. It has also been observed that there is poor inter-sectoral coordination among key departments including BQs that are generalized rather than itemized. Fiscal indiscipline is experienced among departments as there is spending for items that were not included in the budget. Furthermore, lack of stakeholder involvement during instances such as determining departmental ceilings and supplementary budget making is hindrance in proper budgeting within the health department. The lack of stakeholder involvement is sometimes accompanied by unstructured or even lack of public participation during the budgeting making which is an opposite step. The non-involvement is sometimes due to inadequate sensitization and information sharing of the budgeting cycle to the stakeholders.

During implementation, departments experience late disbursement of equitable share funds from the exchequer and convoluted procurement processes, leading to poor executing of budgets. The country treasury on some occasions authorize un-prioritized payment within IFMIS. Additionally, departments are faced with pending claims not being paid by the 30th June. These findings are consistent with Kilonzi (2014) who pointed out that County governments and their agencies have the responsibility of delivering services within their designated area of jurisdiction while observing the principles of equity, efficiency, accessibility, non-discrimination, transparency, accountability, sharing of data and information and subsidiarity

Nonetheless, to expand the tax revenue base, counties are preparing valuation rolls, upgrading infrastructure to improve tourism revenues, and strengthening management and regulation of parking charges. To improve on compliance, there are ongoing efforts to automate revenue collection, training and improving the terms of service for revenue collectors, and sensitizing the public and private sector on County government's revenue generation programs. Further, to enhance capacity, some counties have entered into agreements with the Kenya Revenue Authority (KRA) to collect revenues on their behalf as noted by KIPPRA Policy Brief No. 7/2017-2018

3.3 Record keeping utilization in financial management for service delivery at County governments in Kenya

Counties generate various types of records including policy related records, financial records and auditing records. Therefore, records management is essential in support of governance as it forms a basis for equity in resource distribution, hence fostering confidence among the public, which results in good will from the people on County government projects. The study noted sought to establish the status of records keeping best practices for financial management as a way of

ISSN 2349-7807

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enhancing service delivery. Specific aspects including records control and tracking mechanisms; records retrieval and access; records retention and records disposal were investigated.

The study sought to establish the various records control and tracking mechanisms in place. These included; file tracking register, file tracking card, use of barcodes, and physical check of files in the storage areas. From the findings, the most used file movement control tool is the file tracking register (100%) which is used in all registries. On the other hand barcodes and computer systems are the least (2%) used in the control of the file movement. File tracking cards and physical check of files are also practiced in the registries by 70% of the counties. Records are kept so that they can be made available to authorized users when required. Before a registry staff or records manager issues files or records he or she ought to ensure there is a system in place to ensure movement of those records and that they can be tracked from the point they leave the registry to the time they are returned and shelved or kept in their right place

As for records retrieval and access, it was noted that the counties registries used mainly subject index as a retrieval tool. The registry personnel indicated they experienced problems when retrieving and providing access to records for the users.

Others issues include; poor working conditions, lack of adequate facilities and equipment and retaining of files presented to action officers. In a few counties (5%) it was noted mix up of records whether current, semi-current or non-current due to lack of a records Centre for semi-current records and an archive for permanent preservation of inactive records of enduring value.

With regard to records retention, all counties under study had retention schedules that covered both current and semi-current records generated within the counties. Proper records retention is the corner stone of an effective records management program. Records retention begins with records appraisal which is the process of determining the value of records which later transforms to the creation of a records retention schedule. The records retention schedule covers retention periods for records generated. All this is important if the retention schedule with retention periods are covered in a retention policy which provides guideline on how long records should be kept once created and what happens to those records once their retention periods are due.

On records disposal, the study established that majority (70%) of counties sampled for the study had no records disposal program. Further, it was noted that they dispose records by transferring to the Kenya national Archives documentation Services (KNADS) and only destroy records with the consent of the director of the KNADS. Records disposal is the point in the records' life-cycle when they are either transferred to archives or destroyed. Records disposition occurs in various forms, namely physical destruction, transfer to an archival institution and migration to another medium such as microfilm or digitization (Kemoni 2007).

3.4 Extent of adoption of government regulations in financial management for service delivery at County governments in Kenya

The county governments are under obligation to adhere to various regulations and policies in their operations. With regard to the relevant provisions of the Constitution of Kenya, 2010 and the County Governments Act, 2012, the county assemblies of the twenty county governments studied have been enacting laws for effective performance and exercise of the functions and powers assigned to counties under Part II of the Fourth Schedule to the 2010 Constitution. The county laws which have been enacted by the respective county assemblies have created offences to be committed by those persons who offend such laws. The acts and/or omissions resulting in criminal offences in reference to county laws are punishable by either imprisonment and/or payment of a fine.

It was noted that some of the county assemblies such as that of Nairobi City, Mombasa and Nakuru county governments had enacted legislations providing for the legal and institutional frameworks for the enforcement of the county laws and regulation of county inspectorate officers. The Nairobi City county assembly through the enactment of the Nairobi City County Inspectorate Service Act, 2017 has gone a step further to establish several units of the inspectorate including the inspection, fire and emergency services, disaster and rescue services and traffic units together with the ranks of the Inspectorate.

Majority (68%) of the counties studied complied with the Records Management Policy. It was noted that the policy does cover clearly outlined responsibilities of each records management personnel in the county headquarters and it does provide guidelines on how records management such as disposition, filing, storage etc. ought to be carried out. Additionally, it was observed that there are two categories of records management and they are either international or national records management standards. Some standards are general while others are specific for example electronic records, microforms or audio-visual records. Some of the standards included: The Public Archives and Documentation Services Act, (CAP 19) ; ISO 15489 Documentation and Records Management Standard; The Records Disposal Act (CAP 14); Government Financial Regulations and Procedures, Chapter 23, Section 4:2-5.

Overall the budgeting process as prescribed in the PFMA (2012) is adhered to by both the national and county governments. The process commences on August 31st of each year where a budget circular is released by the National Treasury and provides clear guidelines on how to develop the budget for the upcoming cycle/budget. It had been noted that a great proportion of departments had officers who are capacitated on preparing a budget in accordance with the PFMA (2012). Stakeholders from both within and without the sector and are involved to some small extent in the budgeting process as their inputs are pertinent. There is the provision for changes to be made to the budget through the supplementary budget, so counties are able to reprioritize in line with funding realities.

Throughout the process there are budget oversight agencies including the internal and external auditor, controller of budget as well as the County Assembly that are tasked with overseeing how the allocated funds are spent within the sector.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

Most counties were constraint with skills and capacity across various sections including budgeting, records management and regulation. However, there were efforts towards capacity building and employment of personnel with requisite skills to help bridge the gap. While positive strides had been made in the county budgeting process especially towards 2019 /2020, there is need to enhance coordination between national and county departments, political independence, stakeholder involvement, funding process and spending against limited revenue to best meet the needs of the public. Reviewing and re-designing IFMIS system to capture information from PBB are the essential next steps for improving budgeting at the county level. The study further concluded that the budget being a veritable tool for planning, controlling, communicating, decision-making and value creation, the county government should ensure that all ministries, departments and agencies abide strictly by the budget implementation reform strategies.

Counties generated various types of records including policy related records, financial records and auditing records. It was noted that records management is essential in support of governance as it forms a basis for equity in resource distribution, hence fostering confidence among the public, which results in good will from the people on County government projects. The study noted various challenges including inadequately trained staff on records management, lack of records disposal and retention schedules, inadequate equipment and space, though moderate policies and standards. Consequently, record keeping was utilized only to a moderate extent in enhancing financial management for service delivery at county governments.

Strict adherence to the Public Financial Management Acts and other County legislations and regulations was equally noted to be critical and most counties struggled with the implementation because of weak legislative and enforcement challenges, lack of political goodwill among others. Therefore even though most counties had adopted various regulations, the extent of compliance would be rated as less moderate.

4.2 Recommendations

4.2.1 Recommendation on Skills and capacity building

It is recommended that counties should seek technical assistance involving deploying technical experts to work with the county workforce; training undertaken as part of capacity development process; Pear learning through networks, exchange visits and workshops across counties; study tour and benchmarking visits for purposes of adapting and applying best practices, both within and outside the country.

4.2.2 Recommendations on Records Keeping

There should be a records survey in each County to determine the volume of records that need digitization, the location of those records and the nature and condition of those records. Then the records management professionals should conduct a records appraisal to determine the value of those records. This is important because it will enable the records to be separated i.e current records, semi- current and non- current records.

There is the need to develop and implement records management policies, standards, guidelines and procedures in all counties that will help improve the management of records for enhanced service delivery. This can be done in consultation with Kenya National Archives and Documentation Service (KNADS) on developing or improving the draft policy, which standards to adopt, coming with the guidelines and procedures for various functions. The county can adopt internationally accepted standards such as ISO 15489 standard and adopt other Kenyan standards such as Cap 19 and Cap 14 among others.

There is also need for Automation of Records Management Services. To help improve public service delivery at the county it is necessary that counties adopt ICTs in the management of records. The counties should digitize their records and acquire a system for managing them. ICTs will help enhance creation, maintenance, access, use, storage and preservation and security of records.

4.2.3 Recommendations on Budget preparations and regulation

Generally, all departments of the county must adhere to PFMA 2012 and related regulations. It is recommended that the financial systems be re-engineered to reduce the bureaucratic procedures at both the County and National level. IFMIS system should be reviewed and re-designed so as to enable the capturing of information from PBB. Sensitization of other senior officers on the operations of IFMIS needs to also take place.

Counties are also recommended to strengthen their M&E activities and accountability mechanisms for instance by Council of Governors (CoG) and County Assembly through advocacy. The role of the CoG should be enhanced to support the accountability mechanisms for the counties.

All stakeholders should actively participate in the budget making process. To ensure this, advocacy to key stakeholders involved in the budgeting process, both internal and external, on the budget making cycle needs to be strengthened. The County governments should also ensure proper public participation during the budget making process including providing civic education and enforcing public participation regulations and guidelines. Ensure there is planned dissemination and sensitization of the budgetary documents and the legal frameworks. Processes of the supplementary budget making should be customized to ensure all the stakeholders are involved.

It is also recommended that departments be made autonomous fiscal entities that would allow them for instance to access funds directly from special purpose accounts. There needs to be ring fencing of payments requisitioned to the national treasury at the point of actual payments. There is also need for the procurement processes to be streamlined to reduce unnecessary details and hurdles. Counties need to continue lobbying particularly through the senate, for timely disbursements.

The departments should also practice better financial discipline so as to prevent financial recurrent pending bills. This can be done by implementing a debt management policy that includes reviewing sector expenditure reports and submitting them on time to reduce all pending bills and allow for requests to be made and inherently disbursement of funds in good time. They should also implement their targeted advocacy initiatives including towards influential members like the senior leadership.

It is also highly recommended that all departments should have a dedicated budget officer who would be tasked with ensuring all planning and budgeting processes throughout the budget cycle are executed efficiently including initiating pro-active planning for enhancing outputs and reducing inter-departmental conflicts.

Also, Counties should seek out innovative ways to expand their revenue base – PPP including mapping all revenue sources, banking in the CRF and strengthen controls including promoting automation. Counties must ensure that there is a partner coordinating framework that provides for full disclosure of the department partners resource envelopes.

4.2.4 Financial Management Framework

4.2.4.1 Introduction

This study proposes and recommends a financial management framework that would guide county governments in enhancing service delivery as adopted and modified from Peter Ostapchuk (2006). A Financial Management Framework (FMF) must set out the senior County Executive's and Chief Finance Officer's (CFO) standards and expectations for sound financial management and control across the County, consistent with the County Governments Public Finance Management (CGPFM) Transition Act No. 8 of 2013 as provided for pursuant to section 15 of the Sixth Schedule of the Constitution of Kenya, the Public Finance Management Act (PFMA) and the County Treasury policies.

ISSN 2349-7807

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The objective of the FMF is to ensure that a robust financial management governance framework exists that clearly articulates Legislation, regulation & Policies, Values & Principles, Authorities & Accountabilities, Roles & Responsibilities, Processes, and Enablers that will, when adhered to, lead to a number of positive financial and service delivery.

The FMF needs to be applied to all decision-making processes in the management of public and departmental resources that contribute to the efficiency and effectiveness of program and service delivery within important accountability frameworks, including: County Treasury Governance (CTG) Management Accountability Framework (MAF), Departmental Governance Model (DGM), Human Resource management Framework (HRMF), and Integrated Control Framework (ICF)

The FMF needs to reflect the commitment of the County Governor, County Executive Committee (CECs) members and the CFO to enhance financial management transparency and accountability across the County to strengthen oversight and sound management of public resources entrusted to the County. This includes every manager's commitment to:

1. more rigorous oversight of county revenues, expenditures, assets and liabilities, including the need for reallocation and realignment of resources based upon county priorities, within county assembly constraints;

2. reflect the county's focus on ensuring value for money through the utilization of the FMF for sound financial management;

3. provide leadership in ensuring that the County complies with Treasury Board and County policies for strong revenue management, expenditure control, asset and liability management and rigorous stewardship of public funds;

4. ensure continued learning and skills development in financial management through training and knowledge development to meet FMF requirements; and

5. provide meaningful accountability and integrated financial management information consistent with the County's Program Activity Architecture (PAA) and other reporting objectives to report upon the stewardship of public resources.

The FMF is an integral component of every manager's fiduciary responsibility to strengthen oversight and sound management of public resources entrusted to everyone. The FMF is thus an integral governance instrument for a standard approach to financial management across the County. Adherence to the FMF is a significant accountability of all Managers and personnel, and forms part of all managerial performance accords.

4.2.4.2 Components of Financial Management Framework

A sound FMF ideally comprises of five elements namely Legislation & Policies; Values & Principles; Authorities & Accountabilities; Roles &Responsibilities, and Processes which should be supported by Enablers so that when adhered to produce desired results or service delivery.

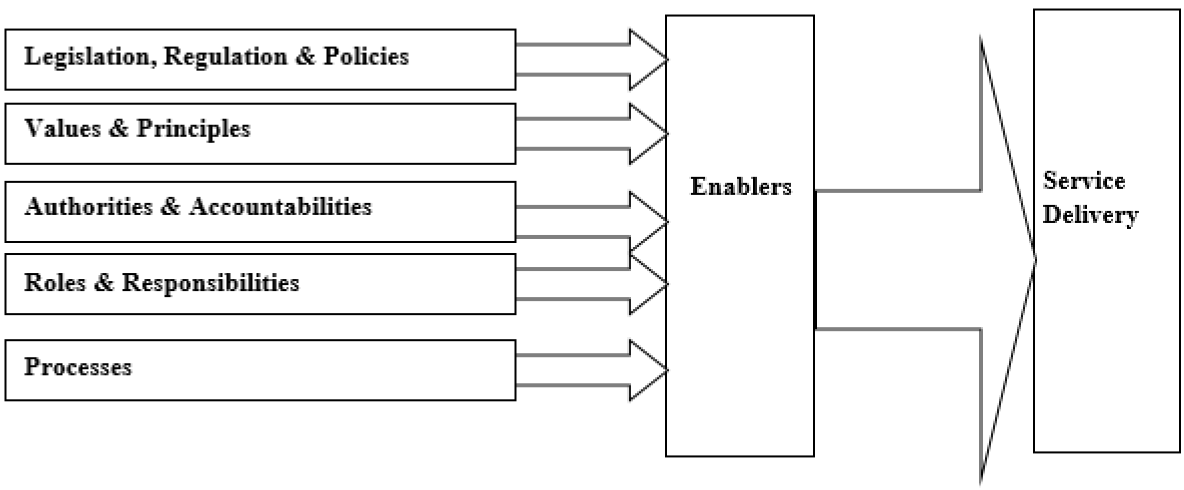

Fig 2. County Financial Management Framework

Legislation, Regulation & Policies

Legislation both at county, National & senate assemblies together with regulations and policies which may be reviewed from time to time form the foundations of sound financial management,

Values & Principles

The ethical value statements and fundamental truth or proposition serves as a foundation of sound financial management, which guides County government Managers in fulfilling their financial management duties.

Authorities & Accountabilities

Authorities which may be exercised directly or indirectly through delegation go hand in hand with financial management accountabilities.

Roles & Responsibilities

These reflect the expected financial management responsibilities of the County Governor, Chief Executive Committee members, chief Officers, and Financial Officers. The Roles and Responsibilities reflect the concept that financial management is everyone’s responsibility.

Processes

Processes essentially are the means by which the FMF is operationalized. The FMF identifies financial management process standards for resource allocation, revenue and expenditure management, asset and liability management, transactional procedures, and ongoing monitoring and assurance.

Enablers

These are the underpinnings of the FMF and represent the essential elements that must be in place across departments. Enablers include visible senior management commitment, skills and knowledge capabilities, and quality integrated financial management information that is transparent, timely and reliable, supported by appropriate financial management systems and tools.

Service Delivery

Service delivery or Results are the end-state of operating within a sound financial management framework and achieving business objectives. The results are thus achieved after integrating the various components of the FMF into one coherent way of operating. Service delivery will reflect an agenda for continued improvement, and if the FMF is employed appropriately, the organization can expect:

a. an integrated approach to management, with enhanced management and decision-making;

b. value through the provision of better overall financial management and business results;

c. support to the public/business community to lead to results;

d. improved reporting, demonstrated accountabilities and effective policy implementation;

e. consistent, integrated standards and approaches; and

f. linkage of resources to results.

ACKNOWLEDGEMENT

I am grateful to the management of Jaramogi Oginga Odinga University of Science and Technology that provided a grant to facilitate the execution of this research project.

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ISSN 2349-7807

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