INFLUENCE OF FINANCIAL PLANNING AND INTERNAL CONTROLS ON PRUDENT FINANCIAL MANAGEMENT IN THE COUNTY GOVERNMENT OF KAKAMEGA, KENYA

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INFLUENCE OF FINANCIAL PLANNING AND INTERNAL CONTROLS ON PRUDENT FINANCIAL MANAGEMENT IN THE COUNTY GOVERNMENT OF KAKAMEGA, KENYA

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ABSTRACT

This study sought to investigate the influence of financial planning and internal control systems on prudent financial management in the County Government of Kakamega, Kenya. The study used descriptive research design and targeted 190 senior, middle and junior financial management staffs of Kakamega County government majorly comprised of accountants, finance officers, revenue officers, internal auditors and procurement officers; from where a sample size of 129 respondents was drawn using Taro Yamane's proportional sampling technique formula. Structured questionnaires were used to collect primary data and piloting of the research instrument was done in the county government of Bungoma. SPSS version 24 was the data analysis computer software that was used to compute statistical data. Inferential statistics assessed the nature and strength of the correlations, direct and multiple relationships. From the values of unstandardized regression coefficients with standard errors in parenthesis, the independent variables were significant predictors of prudent financial management. The study concluded that one, 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. Further, internal control systems significantly influence prudent financial management in the county governments, since secure internal control mechanisms minimize financial scams in the county governments; The study recommended 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, 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.

Key Words: Financial Planning, Internal Control Systems, Prudent Financial Management

INTRODUCTION

Prudential regulation is an appropriate legal framework for financial operations and a significant contributor to preventing or minimizing financial sector problems. Evidence shows that the absence of prudential regulations in some key areas can lead to government failures and systemic instability, while establishing sound, clear and easily monitored rules for financial activities both encourages managers to run their institutions better and facilitates the work of supervisors (Brownbridge, 2002). A major weakness of some financial systems is the fact that various financial institutions, especially private and public institutions in rural areas, 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). Some countries have one single general government operations law, which tries to assemble all regulations, but in many countries the operational issues are left to statutory notes, circulars or even simply the routine decisions of the supervisory institution. Various other laws can have an impact on the operations of financial institutions, for example, company laws, securities laws, debt recovery laws, procurement laws, and laws on liquidation and bankruptcy (Kirkpatrick, 2002).

Prudent financial management is the buzz word in both developed and developing countries. For instance, Sabrinna et al. (2009) while conducting a case study of the United States, United Kingdom, Germany, Japan and Australia financial regulatory system argues that the changes which have taken place in the developed countries' financial systems have necessitated a shift from its decentralized financial regulatory system. They further reviewed the advantages and disadvantages of regulatory consolidation and the effects of consolidation on regulators incentive. They have also evaluated what would be the best entity to regulate the US financial markets. The authors discuss the four main goals of financial regulation consolidation. These include taking advantage of the economies of scale, eliminating apparent overlaps and duplication that are found in decentralized structures, improving accountability and transparency and adoption to the increased prevalence of financial conglomerates in the financial industry.

Kenya is emerging from a state of poor governance demonstrated by widespread corruption, ethnic conflicts, insecurity, political uncertainty; and poverty among others. Poor governance has resulted in,

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among other negative outcomes, the alienation of large portions of the society from the mainstream economy; the squandering of public resources leading to low levels of development and massive property, ethnic animosity due to perceptions of historical injustices and cut-throat political competition and intolerance (Kimario, 2014).

Kakamega county is among the 47 Counties formed after the promulgation of the constitution of Kenya, 2010 and is made of 12 Sub Counties; Lurambi, Shinyalu, Ikolomani, Butere, Khwisero, Mumias East, Mumias West, Matungu, Navakholo, Malava, Likuyani and Lugari. The headquarter of the county is situated in Kakamega town, formerly municipal council building along Kenyatta avenue and its other extensional offices scattered in different locations within the town. Kakamega town is formerly the provincial headquarter of Western province in western part of Kenya. The native language spoken here is mainly Luhya while the official languages are English and Kiswahili.

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.

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 and internal control systems on prudent financial management in the County Government of Kakamega, Kenya.

Objectives of the study

The general objective of the study was to investigate the influence of financial planning and internal controls on prudent financial management in the County Government of Kakamega, Kenya. The specific objectives were:-

▪ To determine the influence of financial planning on prudent financial management in the County Government of Kakamega,

▪ To determine the influence of internal control systems on prudent financial management in the County Government of Kakamega,

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Study Hypotheses

H_{01}: Financial planning does not significantly influence prudent financial management in the County Government of Kakamega,

H_{02}: Internal control systems do not significantly influence prudent financial management in the County Government of Kakamega,

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, taxation, and debt, builds on the well-known tax smoothing approach to fiscal policy. This approach then predicts that governments will use budget surpluses and deficits as a buffer to prevent tax rates from changing 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 influence of micro-prudential systems on prudent financial management in the county government of Kakamega.

Systems theory
The systems theory was designed in 1968 by Ludwig von Bertalanffy 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, most organization managers recognize how different systems can affect workers delivery and how workers can equally affects the systems around them, hence, different efforts combined make a system work effectively to accomplish goals. Through Systems theory managers are able to effectively examine patterns and events of occurrences at the workplace which is significant in coordinating programs to work as a collective whole for the overall goal or mission of the organization rather than for isolated departments (Hawthorne, 2013).

Review of study variables
Financial planning and prudent financial management
White (2009) asserts that in financial planning, a budget as an operational plan presents how the government intent to use its financial resources in delivering services to the people; thus a budget is key to the planning process for the operational activities of a government since this is a financial or

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quantitative statement prepared prior to a specified accounting period and containing plans and policies to be pursued during that period.

More so, a budget is the final outcome of lengthy processes in regard to monitoring and control of public finances that involve the treasuries and other agencies (Earl, 2000). With budgeting that is legislative in nature, new responsibilities must be included to both longstanding appropriations' processes and political relations with the state. According to Burns and Grove (2003), financial accountability is a system that ensures proper stewardship of assets which involves a legal and moral liability in ensuring that public resources are used for public ends such that the best value is obtained for which public resources are used. It thus, involves a prudent management of scarce recourses in the economy as well as efficient allocation of resource. In this regard, this study will examine whether financial planning process in the county government depicts prudent financial management practice.

Internal control systems and prudent financial management

Existing evidence from literature reveal that financial mismanagement in many firms both private and public occur because of weak internal control mechanisms. In this regard, Kibara (2007) for instance conducted a survey of internal risk management practices in the banking industry in Kenya so as to assess banking internal auditors' perception of their distinct role in the bank finance management process, and whether there was any conflict between internal audit and risk management departments. The results revealed weaknesses in internal control mechanisms and conflicts of interest as key determinants of financial mismanagement. Therefore this study will assess whether internal control measures such as secure internal audit controls, independent and professional preparation of internal audit reports, independent monitoring & evaluations

plus communication controls can positively impact on prudent financial management in the county government of Kakamega.
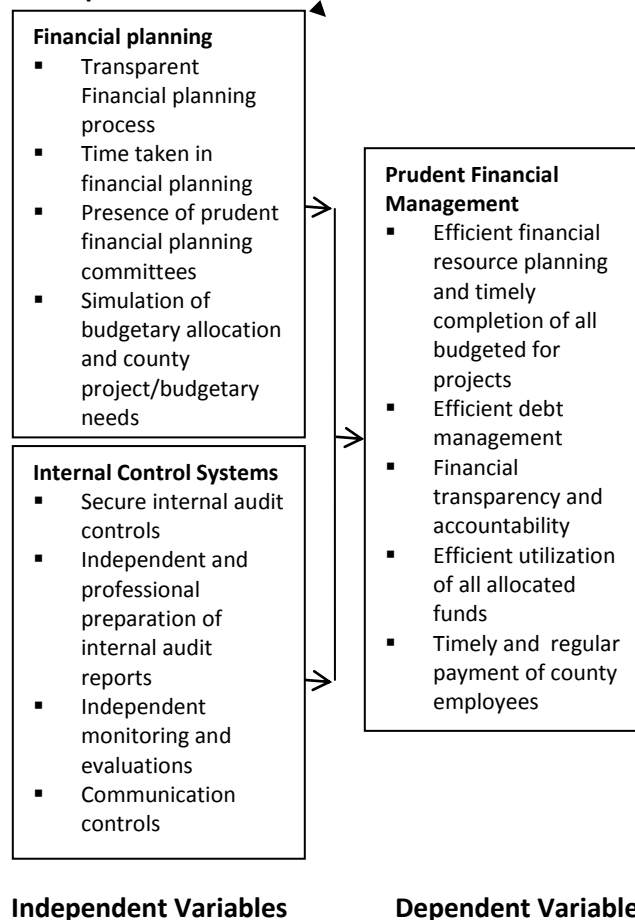
Conceptual framework

Financial planning
- Transparent Financial planning process
- Time taken in financial planning
- Presence of prudent financial planning committees
- Simulation of budgetary allocation and county project/budgetary needs

Internal Control Systems
- Secure internal audit controls
- Independent and professional preparation of internal audit reports
- Independent monitoring and evaluations
- Communication controls

Prudent Financial Management
- Efficient financial resource planning and timely completion of all budgeted for projects
- Efficient debt management
- Financial transparency and accountability
- Efficient utilization of all allocated funds
- Timely and regular payment of county employees

Independent Variables   Dependent Variable

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical review of related literature

Financial Planning and prudent financial management

First and foremost, in financial planning, a budget as a tool for the financial management of a county government plays a very important role as it reflects the amount of funds available to the county government and the number of scheduled tasks it must carry out. Thus, there should be a clear source

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of information about municipal priorities, the collected income and the financial policy implemented by county governments. Unfortunately, most county government budget systems are not transparent and do not provide comprehensive information on the rational and effective management of county financial resources (Brunner, 2009).

For instance financial planning through performance based budgeting in Poland was introduced at the central level in 2009, but has been in existence at the local government level since 1994 (Owsiak, 2002). It was introduced as a tool for new public management, and its goal was to increase the transparency of public spending, its rationality and the effectiveness of public finance management. That is, it is a type of expansion of traditional budget's expenditures component called the task component and is the part that illuminates the purpose public spending serves and the results achieved by those public expenditures. These expenses must be assigned to appropriate tasks. Before the anticipated expenses are recognized in accordance with the current budgetary classification, municipal authorities (and the directors and managers of budgetary entities) prepare in the form of budget tasks detailed materials and substantive financial plans to be implemented. The goal of this preparation of the budget task component is a better comparison of expenditures to the effects of spending that it serves (Owsiak, 2002).

Internal control systems and prudent financial management
Anthony (1965) defined control is the process of assuring that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives. It is a function that compares achieved results with planned goals. The control function is the process of ordering, evaluating, and providing feedback to the management system of an organization. The

environment in which modern organizations operate are becoming more and more complex – more products, more players, and rapidly changing technology and markets. As a result of this complexity, no single individual or group can evolve a solution, which is considered effective. Hence, the need for an integrated system of management control arises (Gyawali, 2005).Control refers to monitoring and evaluation of performance to determine the degree of conformance of actions to plans. Ideally, planning precedes control, which is followed by a feedback corrective action or a feed forward preventive action that eventually will elicit prudent financial management practice.

Empirically, Chenhall and Langfield-Smith (1998) found a greater use of advanced management accounting practices, such as quality improvement programs, benchmarking and activity-based management, in firms that placed a strong emphasis on product differentiation strategies, ultimately resulting in high performance .According to management accounting system information and requirement of decision maker will improve the decision quality to be taken and in the end will improve the strategic business unit performance which depict prudent financial management practice.

Locally, Chepkorir (2010) in his study "the roles and challenges of internal auditing in the banking industry in Kenya'' observed that the general roles of internal auditors is to provide assurance to management and the audit committee that internal controls are effective and working as intended, examining and assessing organization policies, procedures, manuals and recommending best practices, risk assessment and management, and finally evaluation of projects and programs accomplishments. Kibara (2007) also conducted a survey of internal auditors risk management practices in the banking industry in Kenya. The study sought to establish banking internal auditors' perception of their distinct role in the bank

finance management process, and whether there was any conflict between internal audit and risk management departments. The research was based in commercial banks and not public institutions like the county governments where audit systems suffer from professional and accountability issues.

METHODOLOGY

This study used descriptive survey design in describing the characteristics of the study variables as they exist; and was chosen since it was helpful in gathering information and data on attitudes, opinions and habits of organizations and management or any other social issues through administering pre-set questions or questionnaire to a selected group of individuals called participants or respondents (Orodho, 2009). This study targeted 190 senior and middle management staffs within the finance department of Kakamega County government majorly comprised of accountants, finance officers, revenue officers, internal auditors and procurement officers. The study's primary data was collected using structured questionnaires, because they are considered rich for both quantitative and qualitative studies (Burns & Grove, 2003).

FINDINGS

Financial Planning and prudent financial management

This tested objective one of the study; influence of financial planning on prudent financial management in the County Government of Kakamega. The results were 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							

From table 1, most respondents agreed (48.5%) and strongly agreed (12.4%) that the county government adequately plans for all its financial needs in time; but 18.5% of respondents disagreed to the statement implying that there are incidences where the county government does not adequately plans for all its financial needs in time which does not reflect prudent financial management practice.

Secondly, most respondents agreed (46.4%) and strongly agreed (9.3%) that the county government effectively implements all projects that have been financially planned for while 27.8% of respondents disagreed to the statement. This implies that while the county government strives to implement all projects planned for, there could be reports that some projects are actually not implemented. In this regard there were mixed responses about the statement that the county government only engages in prudent financial activities that have been planned for. This is because, while 40.2 agreed to the statement, 34.0% disagreed that the county government only engages in prudent financial activities that have been planned for; implying that the county government is not doing very well in prudent financial activities.

Further, 49.5% and 10.3% of respondents agreed and strongly agreed respectively that the county government finance planning committee engages in prudent financial planning process. This implies that there is at least a finance planning committee in the county government of Kakamega that oversees financial planning in the county government; which is a step in the right direction in terms of prudent financial management. Similarly, most respondents agreed (47.5%) and strongly greed (13.4%) that the county government's financial plan simulates with the county resource allocations and collections. This implies that the finance planning committee plans county government finances with regard to county resource allocations and county revenue collections. Lastly, most respondents agreed (42.3%) and strongly agreed (8.2%) that generally, the county government has a prudent financial planning system. This is further supported by the grand mean; 3.563 = 4 (agree) on the likert scale that summarily mean those most respondents were of the opinion that the county government has a prudent financial planning system. However, a fairly good percentage of respondents disagreed that the county government

has a prudent financial planning system implying those agreeing to the statement could be playing public relation exercise to support the county government as political establishments. This is supported by Brunner, (2009) who asserted that most county government budget systems in developing countries are not transparent and do not provide comprehensive information on the rational and effective management of county financial resources.

Internal Control Systems and prudent financial management

This assessed objective two of the study; influence of internal control systems on prudent financial management in the County Government of Kakamega. The results are presented in table 2.

From table 2, most respondents agreed (50.6%) and strongly agreed (5.2%) that there is legal authorization and reconciliation of all financial transactions, implying that at least there is reduced fraudulent transactions in the county government of Kakamega. Secondly, most respondents agreed (48.5%) and strongly agreed (13.4%) that there are adequate internal audit controls to detect, deter, and mitigate any suspected. This implies that the county government of Kakamega has tried to put internal financial control systems that reflect prudent financial management. Thirdly, there were mixed reactions about impromptu internal audit inspections to check illegal financial transactions because 42.3% of respondents disagreed while 41.2% agreed to the statement. This means that there really few impromptu internal audit inspections to check illegal financial transactions in the county government. Similarly, there were mixed reactions on the statement that the audit reports are prepared independently devoid of any internal manipulation and diligently submitted to relevant higher audit; that is, 40.2% agreed while 39.2% disagreed to the statement implying that there could be cases of manipulation of audit reports which does not prudent financial management in the county government.

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More so, 46.4% and 9.2% of respondents agreed and strongly agreed respectively that internal audit system ensures that all financial transactions are receipted and posted in relevant financial management books. Therefore, on overall response most respondents agreed (43.3%) that generally; there are transparent, reliable and well-coordinated internal control mechanisms that reflect prudent financial management. This corresponds to the grand mean = 3.485 which is agree on liker scale.

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

Table 3: Multiple regression model assumptions

		Financial Planning	Internal Control Systems	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	
Prudent Finance Mgt	Pearson Correlation	.679[**]	.773[**]	1
	Sig. (2-tailed)	.000	.000	
	N	97	97	97

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Linear Regression results

This was computed to test direct influence of the four study variables (financial planning and internal control systems) on the dependent variable (prudent finance management).

Direct influence of financial planning on prudent financial management

This tested the direct linear influence of financial planning on prudent financial management in the county government of Kakamega County. The results were shown in table 4.

Table 4: Direct effect of Financial planning on Prudent financial management

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
					Change Statistics				
1	.679[a]	.461	.455	.27325	.461	81.254	1	95	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.067	1	6.067	81.254	.000[b]
	Residual	7.093	95	.075		
	Total	13.160	96			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.705	.167		16.211	.000
	Financial Planning	.378	.042	.679	9.014	.000

a. Dependent Variable: Prudent Financial Management

From table 4, the model summary showed R^2 =0.461 which implied that 46.1% variation in prudent financial management in the county government of Kakamega was explained by financial planning while other factors not in the study model accounted for 53.9% variation in the prudent financial management. Further, coefficient analysis indicated that there was a positive significant influence of financial planning on prudent financial management in the county government of Kakamega (β= 0.378(0.042); at p<.01

The coefficient analysis results therefore implied that a single improvement in financial planning mechanisms by county government would result to 0.378 unit increase in the prudential financial management practice in the county government of

Kakamega; and the linear regression model equation is;

y = 2.705 + 0.378X$_1$

where;

y is the prudent financial management in the county government of Kakamega.

X$_1$ is financial planning.

Direct influence of internal control systems on prudent financial management

This tested the direct linear influence of internal control systems on prudent financial management in the county government of Kakamega County. The results were shown in table 5.

From table 5, the model summary showed $R^2 = 0.597$ which implied that 59.7% variation in prudent financial management in the county government of Kakamega was explained by internal control systems while other factors not in the study model accounted for 40.3% variation in the prudent financial management. Further, coefficient analysis indicated that there was a positive significant influence of internal control systems on prudent financial management in the county government of Kakamega ($\beta = 0.514(0.043)$; at $p<.01$. The coefficient analysis results therefore implied that a single improvement in effective internal finance control systems by the county government would result to 0.514 unit increase in the prudential financial management practice in the county government of Kakamega; and the linear regression model equation is;

$y = 2.118 + 0.514X_2$

where;

y is the prudent financial management in the county government of Kakamega.

X_2 is internal control systems

Table 5: Direct effect of internal control systems on prudent finance management

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.773[a]	.597	.593	.23617	.597	140.944	1	95	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.861	1	7.861	140.944	.000[a]
	Residual	5.299	95	.056		
	Total	13.160	96			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.118	.176		12.032	.000
	Internal Control Systems	.514	.043	.773	11.872	.000

a. Dependent Variable: Prudent Financial Management

Multiple Regression Analysis

Linear regression analyses showed both the F values and the corresponding significant values that the two independent variables (financial planning and internal control systems) were 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 were shown in table 6. The results showed 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 Kakamega, while other factors not in this study model accounts for 22.9%, thus, it was a good model.

Table 6: Multiple regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.878[a]	.771	.761	.20963	.771	77.615	2	94	.000

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.643	2	3.411	77.615	.000[a]
	Residual	4.043	94	.044		
	Total	17.686	96			

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

b. Dependent Variable: Prudent Financial management

Further, from the result of unstandardized regression coefficients with standard errors in parenthesis, the independent variables (financial planning and internal control systems 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) on prudential financial management in the county government of Kakamega county (dependent variable) was;

$$Y= 0.720 + 0.250X_1 + 0.224X_2$$

Where;

Y= prudent financial management in the county government of Kakamega

X_1= Financial planning

X_2= Internal control systems

Table 7: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.720	.177		4.071	.000
	Financial Planning	.250	.050	.360	4.985	.000
	Internal Control Systems	.224	.063	.290	3.545	.001

a. Dependent Variable: Prudent Finance management

Hypothesis testing

Study **hypothesis one** (**H₀₁**) stated that financial planning does not significantly influence prudent financial management in the County Government of Kakamega, The study results indicated that there is a positive significant influence of financial planning on prudent financial management in the county government of Kakamega (β= 0.250 (0.050); at $p<.01$. **Hypothesis one is thus rejected.** The results therefore implied that a single improvement in effective financial planning by the county government would result to 0.250 unit increase in the prudential financial management practice in the county government of Kakamega.

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The results were supported by Rosilyn (2007) who also found that finance planning offers important tools that help public organizations determine their current conditions and plan for its future. Accounting and financial analysis aid in making sure that an organization has what it needs to operate successfully. Budgeting allows a public administrator to plan, make proper choices, and decide on the mission and direction of an organization. However, while plans and strategies are often stated in a number of elements, resource allocation has always remained the principal means of implementing them. Consequently, an organization's budget, which embodies its resource allocation decisions, has become the only visible manifestation of its strategic planning process (Willoughby & Julia, 2001).

Study **hypothesis two** (**H$_{02}$**) stated that internal control systems do not significantly influence prudent financial management in the County Government of Kakamega, The study results indicate that there is a positive significant influence of internal control systems on prudent financial management in the county government of Kakamega (β= 0.224 (0.063); at *p<.05*. **Hypothesis two was thus rejected.** The results therefore implied that a single improvement in effective internal control systems by the county government will result to 0.224 unit increase in the prudential financial management practice in the county government of Kakamega.

CONCLUSIONS
First the study concluded 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.

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.

Areas for further research
First, a similar study can focus specifically on the efficacy of integrated financial management information systems in the county governments so as to establish systemic issues in financial management programs.

Secondly, a similar study can focus on the emerging electronic procurement systems in county governments so as to compare results with non-electronic procurement systems in terms of reductions in financial malpractices.

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