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DETERMINANTS OF PRUDENT FINANCIAL MANAGEMENT OF NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND IN TURBO CONSTITUENCY, KENYA

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ABSTRACT

Lack of adequate empirical data on what actually should be done to effect prudent financial management of CDF prompted this study to investigate the determinants of prudent financial management of Turbo National Government Constituency Development Fund, Uasin Gishu County, Kenya. The study used descriptive research design and targeted 219 respondents comprising of project management committee, CDF committee members and technical officers of the Turbo CDF; from where a sample size of 142 respondents was drawn using Taro Yamane's proportional sampling technique formula. Structured questionnaires were used to collect primary data. SPSS version 24 data analysis computer software was used to compute statistical data; whereby collected data was cleaned, coded and transformed to allow regression analysis. Descriptive analysis such as frequencies, means, standard deviation were used to summarize data into meaningful form; whereas inferential statistics assessed the nature and strength of the correlations, direct and multiple relationships. Analyzed data was presented in tables. From 142 questionnaires that were dispatched for data collection, 107 were returned when dully filled showing a response rate of 75.35% which was good for generalizability of research findings to a wider population. Both descriptive and inferential statistics showed that all the conceptualized independent variables; financial literacy, procurement process, fund disbursement and financial audit process significantly influenced prudent financial management of Turbo National Government Constituency Development Fund, Uasin Gishu County, Kenya. The study concluded that financial literacy is a significant predictor of prudent financial management since it helps CDF fund managers understand basic accounting and auditing standards as key aspects of prudent financial management of public funds; two, timely fund disbursement depict prudent financial management of CDF funds so as to fast track fund utilization in CDF projects. The study recommends that one, all CDF managers, committee members and technical officers should undergo regular financial training so as understand prudent financial management of CDF and two, there should be independent and transparent financial audit process to ensure accountability and efficient utilization of National Government Constituency Development Funds.

Key Words: *Financial Literacy, Procurement Process, Fund Disbursement, Financial Audit Process*

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INTRODUCTION

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 financial management regulations (Brown, 2002). More so, public sector organizations face more challenging times, thus Government executives are tasked with more strategic responsibilities of prudent financial management in the face of increasing costs of offering public services and falling tax revenues thus increasing the difficulty and importance of financial management (Denhardt & Denhardt, 2006).

In Kenya, Constituency development fund (CDF) is the generic name for a policy tool that dedicates public money to benefit specific political subdivisions through allocations and/or spending decisions influenced by their representatives in the national parliament (Awiti, 2007).The Constituency Development Fund (CDF) is a strategy for devolution of resources. It was hoped that the strategy would enhance people's participation and power in decision-making processes; promote good governance, transparency and accountability. However, various issues and concerns have been raised regarding the CDF processes and structures and community participation in decision-making in the administration, management, monitoring, evaluation and financial management of the fund in various constituencies (Wanjiru, 2015). As such, some constituencies have been termed as good constituencies and others bad constituencies in terms of CDF implementation.

Prudent financial management has picked up 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.

The National Government Constituencies Development Fund (NG-CDF) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the CDF Act 2003. The Act was later reviewed by the CDF (Amendment) Act 2007, and repealed by CDF Act, 2013 which was subsequently succeeded by the current NG-CDF (Amendment) Act 2016**.** The Fund is domiciled within the ministry in charge of national economic policy and planning, currently the Ministry of Devolution and Planning.

Statement of the problem

Prudent financial management is key to efficient utilization and accountability of all public funds across the globe but interestingly in Kenya, prudent financial management in CDF projects across many constituencies in Kenya is wanting. That is, according to National Taxpayers Association (NTA, 2012), more often than not, it has been established that the funds from the CDF kitty are not objectively employed for successful completion of developmental projects, since many projects derail in completion while others are abandoned altogether due to immense financial mismanagement.

Further, Wanjiru (2015) asserted that despite so many projects having been initiated so as to transform the living standards of the constituents little has been achieved, since many projects have been initiated but never completed. Other projects have been stopped due to various challenges such as repeated accusation of abuse of funds, patronage due to excessive powers of the MP on fund allocation and disbursement, incomplete projects, a lack of technical capacity, poor financial planning and a litany of other weaknesses which threaten to undermine the very success of the fund. Even though each constituency under the umbrella of constituency development fund committee (CDFC) is responsible for the management of CDF and is the vehicle of disbursing funds to the grass root level, the management faces varied drawbacks based on gross financial mismanagement.

For instance, a study by the NTA (2012) on 'Citizen's CDF report card for 'Kibwezi constituency, Kenya' established that Kshs 19.7 million of taxpayers' money was wasted on badly implemented projects. That is, 31% of the total CDF funds allocated to the monitored projects in the financial year 2009/10 were alleged to be on badly implemented projects. Moreover, Kshs 2.4 million of taxpayers' money which is equivalent to 4% of the total CDF funds allocated to the monitored projects in the same financial year were on abandoned projects, while 8% (Kshs 5.15 million) of the allocated funds in the same year was unaccounted for pointing weaknesses in prudent financial management of CDF.

Therefore, the massive financial mismanagement of CDF kitty across many constituencies in Kenya, with little empirical research to prove the financial menace motivated this study to investigate the determinants of prudent financial management of Turbo National Government Constituency Development Fund, Uasin Gishu County, Kenya.

Objectives of the Study

The general objective of the study was to investigate determinants of prudent financial management of Turbo National Government Constituency Development Fund, Uasin Gishu County, Kenya. The specific objectives were;

- To examine the influence of financial literacy on prudent financial management of Turbo National Government Constituency Development Fund
- To examine the influence of procurement Process on prudent financial management of Turbo National Government Constituency Development Fund
- To examine the influence of fund disbursement on prudent financial management of Turbo National Government Constituency Development Fund
- To examine the influence of financial audit Process on prudent financial management of Turbo National Government Constituency Development Fund

The following null hypotheses guided the study;

- **Ho_1;** There is no significant relationship between financial literacy and prudent financial management of Turbo National Government Constituency Development Fund
- **$H_{02;}$** There is no significant relationship between procurement Process and prudent financial management of Turbo National Government Constituency Development Fund
- **$H_{03:}$** There is no significant relationship between fund disbursement and prudent financial management of Turbo National Government Constituency Development Fund
- **$H_{04:}$** There is no significant relationship between financial audit Process and prudent financial management of Turbo National Government Constituency Development Fund

LITERATURE REVIEW

Theory of constraints

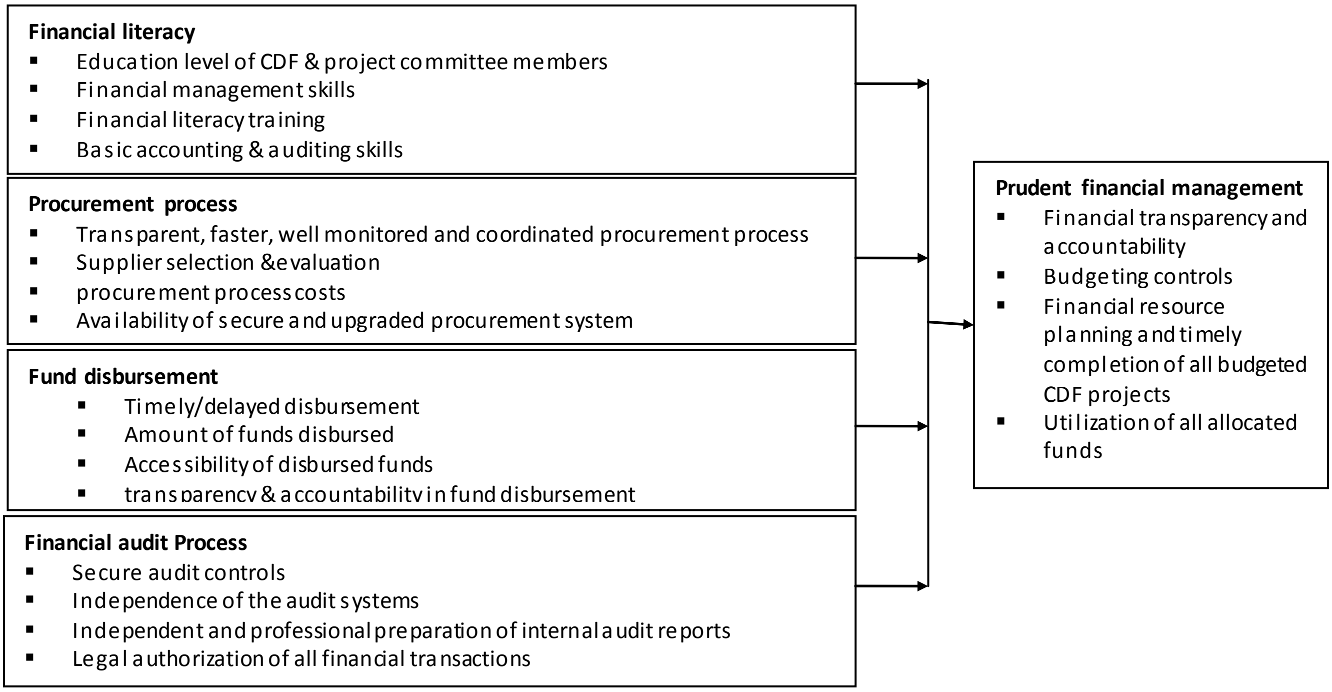
The constraints theory by Goldratt (1984), states that every system, no matter how well it performs, has at least one constraint that limits its performance; this is the system's weakest link. The theory also says that a system can have only one constraint at a time, and that other areas of weakness are non-constraints until they become the weakest link. That is, there are restrictions that prevent an organization from maximizing its performance and reaching its goals. Constraints can involve people, supplies, information, finance, equipment, or even policies, and can be internal or external to an organization. Types of (internal) constraints include equipment; the way equipment is currently used limits the ability of the system to produce more salable goods/services, people: lack of skilled people limits the system. Mental models held by people can cause behaviour that becomes a constraint, policy: a written or unwritten policy prevents the system from making more.

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).

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).



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Murray (2011) asserted that that legislators have a personal interest in the way the CDF money is spent in their respective constituencies and therefore control appointment of CDF committee members with little regard to financial literacy but pure political loyalty. The rationale is to support their reelection prospects. The scholar further argues that this not an illegitimate interest given that the legislators' job of representation is to make decisions that serve the interests of their constituents and, therefore, win approval from likely supporters in order to help secure their reelection. However, when the legislators make decisions on their own on how about how and where to spend public money in their constituencies, there is a conflict of interest which has a negative bearing on prudent financial management of CDF.

In a study by Keefer and Khemani (2009) in India, it was found that MPs put considerably less effort into disbursing CDF to their party strongholds than in less secure seats. That is, usually the immediate personal interests of individual legislators in providing benefits to their constituents are mediated by normal legislative process, in which the particular interests of each legislator compete with those of others. In the case of CDFs, by removing the mediating, collective approval process, an important restraint on legislators who would use public resources to serve their personal political interests is lost. Legislators are often free to use CDF funds to woo their most likely supporters and ignore those who will not make a difference, thus appoint cronies to run the distribution of CDF with regard to the financial literacy of their cronies which definitely can influence prudent financial management of CDF.

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

A study by the NTA (2012) on Citizen‟s CDF report card for Kibwezi constituency, Kenya established that Kshs 19.7 million of taxpayers money has been wasted due to fund disbursement relate problems . That is, 31% of the total CDF funds allocated to the monitored projects in the financial year 2009/10 were alleged to be on badly implemented projects but fund managers blamed it on delayed fund disbursement. Moreover, Kshs 2.4 million of taxpayers' money which is equivalent to 4% of the total CDF funds allocated to the monitored projects in the same financial year were on abandoned projects. On the other hand, 8% (Kshs 5.15 million) of the allocated funds in the same year was unaccounted for, but among reasons, fund disbursement was among the excuses for unaccounted for funds.

According to UDN report (2014), the amount allocated to the CDF projects was found to be insufficient and untimely disbursed. That is, in Kenya, the current allocation of CDF is 2.5% of the national budget which is felt by many people to be rather small and may need to be enhanced to at least 5% and timely disbursed for immediate utilization. In a survey by Ochanda (2015) it was noted that it is still clear that the cumulated amount of funds that go through the district treasuries are much higher than the overall CDF allocation. At the constituency level, the entire amount allocated to each constituency is to be spent based on functional criteria set in the law. One criterion emphasizes that not less than 73% of the CDF allocation should be spent on development projects. According to the statutes, for projects to qualify for CDF funding, they must satisfy three major criteria. First, they must be development-oriented and not recurrent; for instance, funds may be disbursed to build school classrooms but not payment of teachers. Second, projects must be community-based so as to spread the benefits to many constituents. Lastly, the funds can only be disbursed to a defined, auditable phase, unit or element of a given project. It is further noted that once funds are allocated to a given project, they cannot be reallocated or diverted to another project in the same year (Ochanda, 2015).

According to Burns and Grove (2003), financial accountability through an effective audit system 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 resources and the subsequent audit of such resources to confirm their effective use.

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 audit control mechanisms and conflicts of interest as key determinants of financial mismanagement, and therefore lack of independent audit systems in public finance can be assumed to affect financial management of CDF.

METHODOLOGY

This study adopted descriptive survey design. According to Mugenda and Mugenda (2003), descriptive research design is a scientific method that involves observation and description of behavior of a subject without influencing it in any way. The target population for this study was 219 respondents which comprised of project management committee members PMCs, CDF committee members and Technical officers which includeed Fund manager, Account Assistants, District accountant, Deputy accountant, Vote book clerk and Examination accountant. 142 respondents were used for this study as sample size. The researcher used questionnaires to collect data. A pilot study was conducted by issuing questionnaires to 10% of the target population in the Soy constituency. Quantitative data was collected and both descriptive and inferential analysis were computed by the use of Statistical Package for Social Sciences (SPSS 24) and presented through percentages, means, standard deviations and frequencies. The Analytical model for the study was in the form :

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + ę$$

Where;

y= financial management

α= Constant Term

β= Beta Coefficient –This measures how many standard deviations a dependent variable will change, per standard deviation increase in the independent variable.

X_1 = financial literacy

X_2 = procurement system

X_3 = fund disbursement

X_4 = financial audit

ę = error term

RESULTS

Financial Literacy

This assessed descriptive responses on whether financial literacy of CDF members and PMCs influence prudent financial management of Turbo National Government Constituency Development Fund as summarized in table 1.

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Table 1: Descriptive statistics: Financial literacy

Statement	5	4	3	2	1	mean	Std.dev
Most CDF and project committee members have basic education (certificate)	19(17.8)	55(51.4)	15(14.0)	10(9.3)	8(7.5)	3.63	0.912
Most CDF and project committee members have basic financial management skills	23(21.5)	51(47.7)	12(11.2)	11(10.3)	10(9.3)	3.62	0.903
Most CDF and project committee members have undergone training in financial literacy	22(20.6)	53(49.5)	17(15.9)	7(6.5)	8(7.5)	3.69	0.921
Some CDF and project committee members have financial accounting skills	20(18.7)	52(48.7)	13(12.1)	12(11.2)	10(9.3)	3.56	0.891
Some CDF and project committee members have financial auditing skills	21(19.6)	56(52.3)	14(13.1)	8(7.5)	8(7.5)	3.69	0.802
Generally, financial literacy of CDF & project committee members affect prudent financial management of CDF	16(15.0)	60(56.1)	12(11.2)	10(9.3)	9(8.4)	3.60	0.915
Valid listwise 107							
Grand mean = 3.63							

From table 1, most respondents agreed (51.4%) and strongly agreed (17.8%) respectively that Most CDF and project committee members had basic education (certificate). This implied that most CDF and project committee members had diploma and degree as confirmed by the demographic statistics, reveling that most CDF and project committee members had the minimal qualification to understand financial management of CDF projects. This was reinforced by 47.7% and 21.5% of respondents who agreed and strongly agreed respectively that most CDF and project committee members had basic financial management skills.

49.5% and 20.6% of respondents agreed and strongly agreed respectively that most CDF and project committee members had undergone training in financial literacy while 48.7% and 18.7% of respondents agreed and strongly agreed respectively that some CDF and project committee members have financial accounting skills. To further reinforce importance of financial literacy skills, 52.3% and 19.6% of respondents agreed and strongly agreed respectively that some CDF and project committee members had financial auditing skills, which really boosts prudent financial management of CDF projects.

On overall, most respondents agreed (56.1%) and strongly agreed (15.0%) that generally, financial literacy of CDF and project committee members affects prudent financial management of CDF. The grand mean is 3.63 rounded off to 4 which is 'agree' on the Likert scale of measurement. This was supported by Burke (2013) who asserted that financial training eliminates ignorance in financial management. This is because training is a process by which individuals gain knowledge, skills and attitudes that are helpful in shaping man's destiny in life. Through the acquired knowledge, abstract theoretical constructs are tested with real life challenges, hence the educated always take control of events with courage. Education and training are viewed as aspects of life that mould the behavior of individuals into desired state; impart skills and knowledge for solving emerging problems and offer opportunities for innovation and creativity necessary in addressing future challenges. Even in business, whereas entrepreneurs may be influenced by some form of hereditary factors, serious and successful entrepreneurs are shaped to be equal to their tasks through education and training (Burke, 2013).

Procurement Process

This assessed descriptive responses on whether procurement process influence prudent financial management of Turbo National Government Constituency Development Fund.as summarized in table 2.

Table 2: Descriptive statistics: Procurement process (PP)

Statement	5	4	3	2	1	mean	Std.dev
The constituency has a transparent, secure & upgraded e-procurement Process	20(18.7)	53(49.5)	14(13.1)	11(10.3)	9(8.4)	3.60	0.856
The CDF's procurement committee is engaged in well-coordinated and financially accountable activities	25(23.4)	49(45.8)	11(10.3)	12(11.2)	10(9.3)	3.61	0.925
The CDF committee has adopted a centralized procurement system to save on procurement costs	20(18.7)	56(52.4)	12(11.2)	10(9.3)	9(8.4)	3.64	0.844
The procurement process is faster, well monitored, coordinated and cost effective	18(16.8)	54(50.5)	14(13.1)	11(10.3)	10(9.3)	3.55	0.867
The selection & evaluation of suppliers is transparent and effective	21(19.6)	55(51.5)	13(12.1)	10(9.3)	8(7.5)	3.66	0.824
Generally the procurement practiced in the constituency reflects prudent financial management	18(16.8)	58(54.3)	13(12.1)	9(8.4)	9(8.4)	3.59	0.820
Valid listwise 107							
Grand mean = 3.608							

From table 2, most respondents agreed (49.5%) and strongly agreed (18.7%) that the constituency had a transparent, secure and upgraded e-procurement process, while 45.8% and 23.4% of respondents agreed and strongly agreed respectively that the CDF's procurement committee is engaged in well-coordinated and financially accountable activities. This implied that in Turbo CDF, there is a transparent, secure and upgraded e-procurement process and the CDF's procurement committee is engaged in well-coordinated and financially accountable activities.

More so, most respondents agreed (52.4%) and strongly agreed (18.7%) that CDF committee has adopted a centralized procurement system to save on procurement costs; while 50.5% and 16.8% agreed and strongly agreed respectively that the procurement process is faster, well monitored, coordinated and cost effective, thus reinforcing the idea that centralized procurement process is faster and cost effective. Further most respondents agreed (51.5%) and strongly agreed (19.6%) that the selection and evaluation of suppliers is transparent and effective; thus implying that the procurement process in Turbo CDF projects is quite transparent depicting prudent financial management.

On overall, most respondents agreed (54.3%) and strongly agreed (16.8%) that generally the procurement practiced in the constituency reflects prudent financial management. The grand mean is 3.608 rounded off to 4 which is 'agree' on the Likert scale of measurement, implying that most respondents were of the opinion that procurement practiced in the constituency reflects prudent financial management. This is supported by Aberdeen Group (2011) that asserted that centralized and E-Procurement system has been able to realize the following benefits as a result of incorporating data transmission systems, shortened requisition-to-fulfillment cycles by 70%-80%, lower administrative costs by 73%, reduced prices paid for materials by 5% to 10%; cut off-contract buying in half; reduce inventory costs by 25% to 50% on an average. This is because centralized system management provides the capability of automatic validation of electronic proposals thus enabling the suppliers to be able to receive immediate feedback in their proposals.

Fund Disbursement

This assessed descriptive responses on whether fund disbursement influence prudent financial management of Turbo National Government Constituency Development Fund.as summarized in table 3.

Table 3: Descriptive statistics: Fund Disbursement (FD)

Statement	5	4	3	2	1	mean	Std.dev
Funds are disbursed in time	18(16.8)	54(50.6)	13(12.1)	12(11.2)	10(9.3)	3.54	0.976
The amount of disbursed funds is adequate	21(19.6)	56(52.3)	14(13.1)	8(7.5)	8(7.5)	3.69	0.912
There are frequent delays in funds disbursement	9(8.4)	9(8.4)	13(12.1)	58(54.3)	18(16.8)	3.52	0.821
There is transparency and accountability in fund disbursement	20(18.7)	52(48.7)	13(12.1)	12(11.2)	10(9.3)	3.56	0.991
There is instant accessibility of funds disbursed	21(19.6)	54(50.5)	14(13.1)	7(6.5)	11(10.3)	3.55	0.878
Generally, fund disbursement really influence prudent financial management of CDF	20(18.7)	55(51.4)	11(10.3)	11(10.3)	10(9.3)	3.60	0.881
Valid listwise 107							
Grand mean = 3.577							

From table 3, most respondents agreed (50.6%) and strongly agreed (16.8%) that funds are disbursed in time implying that delays in funds disbursement are rarely experienced. More 52.3% and 19.6% agreed and strongly agreed and strongly agreed respectively that the amount of disbursed funds is adequate; while 54.3% and 16.8% also disagreed and strongly disagreed respectively that there are frequent delays in funds disbursement reinforcing the idea that funds are remitted in time.

Further, 48.7% and 18.7% of respondents agreed and strongly agreed respectively that there is transparency and accountability in fund disbursement, while 50.5% and 19.6% of respondents also agreed and strongly agreed respectively that there is instant accessibility of funds disbursed. This implies that Turbo CDF funds are disbursed in time and funds instantly accessed for utilization in various CDF projects.

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On overall, most respondents agreed (51.4%) and strongly agreed (18.7%) that generally, fund disbursement really influence prudent financial management of CDF. The grand mean is 3.577 rounded off to 4 which is 'agree' on the Likert scale of measurement, implying that most respondents were of the opinion that faster and in time fund disbursement reflects prudent financial management. The results are supported by Rosilyn (2007) who found that finance planning offers important tools that help public organizations determine their current conditions and plan for faster disbursement of funds. That is 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.

Financial Audit Process

This assessed descriptive responses on whether financial audit process influence prudent financial management of Turbo National Government Constituency Development Fund.as summarized in table 4.

Table 4: Descriptive statistics: Financial audit process

Statement	5	4	3	2	1	mean	Std.dev
There are adequate audit controls to detect, deter, and mitigate any suspected fraudulent transactions or project payments	20(18.7)	53(49.5)	14(13.1)	11(10.3)	9(8.4)	3.60	0.856
There are impromptu audit inspections to check illegal financial transactions	27(25.2)	49(45.9)	12(11.2)	10(9.3)	9(8.4)	3.70	0.891
Audit reports are prepared independently devoid of any internal manipulation and diligently submitted to relevant higher audit authorities	23(21.5)	52(48.6)	15(14.0)	8(7.5)	9(8.4)	3.59	0.947
The audit system ensures that all financial transactions are receipted and posted in relevant financial management books	21(19.6)	51(47.8)	13(12.1)	12(11.2)	10(9.3)	3.57	0.898
There is legal authorization and reconciliation of all financial transactions	22(20.6)	53(49.5)	14(13.1)	10(9.3)	8(7.5)	3.66	0.932
Generally, there are transparent, reliable and well-coordinated audit control mechanisms that enhances prudent financial management of Constituency Development Funds	21(19.6)	54(50.5)	13(12.1)	9(8.4)	10(9.3)	3.63	0.870
Valid listwise 107							
Grand mean = 3.625							

From table 4, most respondents agreed (49.5%) and strongly agreed (18.7%) that there were adequate audit controls to detect, deter, and mitigate any suspected fraudulent transactions or project payments; while 45.9% and 25.2% of respondents agreed and strongly agreed respectively that there are impromptu audit inspections to check illegal financial transactions. However, 9.3% of respondents disagreed to this statement implying that there are cases where there is no impromptu audit inspections to check illegal financial transactions.

More so, 48.6% and 21.5% of respondents agreed and strongly agreed respectively that audit reports are prepared independently devoid of any internal manipulation and diligently submitted to relevant higher audit authorities; while 47.8% and 19.6% of respondents also agreed and strongly agreed respectively that the audit system ensures that all financial transactions are receipted and posted in relevant financial management books, thus depicting prudent financial management. This was reinforced by 49.5% and 20.6% of respondents who agreed and strongly agreed that there is legal authorization and reconciliation of all financial transactions.

On overall, most respondents agreed (50.5%) and strongly agreed (19.6%) that generally, there are transparent, reliable and well-coordinated audit control mechanisms that enhance prudent financial management of Constituency Development Funds. The grand mean is 3.625 rounded off to 4 which is 'agree' on the Likert scale of measurement. This is supported by Burns and Grove (2003) assertion that financial accountability through an effective audit system 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 resources and the subsequent audit of such resources to confirm their effective use.

Inferential statistics

Table 5: Correlations

		Financial Literacy	Procurement Process	Fund Disbursement	Financial Audit	Financial Management
Financial Literacy	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	107				
Procurement Process	Pearson Correlation	.503**	1			
	Sig. (2-tailed)	.000				
	N	107	107			
Fund Disbursement	Pearson Correlation	.643**	.561**	1		
	Sig. (2-tailed)	.000	.000			
	N	107	107	107		
Financial Audit	Pearson Correlation	.633**	.631**	.761**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	107	107	107	107	
Financial Management	Pearson Correlation	.729**	.756**	.722**	.705**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	107	107	107	107	107

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

Multiple Regression Analysis

Linear regression analyses showing both the F values and the corresponding significant values revealed that the four independent variables (financial literacy, procurement process, fund disbursement, financial audit process) are indeed different from each other and that they affect the dependent variable (prudent financial management of Turbo CDF) in a different manner, hence, the possibility of running multiple regression. The mandatory model assumptions for running multiple regression analysis were also checked, thus, not violated. The results were shown in table 6.

Table 6: Multiple regression results

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	.802[a]	.643	.629	.70884	.643	45.865	4	102	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.181	4	23.045	45.865	.000[b]
	Residual	51.251	102	.502		
	Total	143.432	106			

a. Dependent Variable: Prudent Financial Management

b. Predictors: (Constant), Financial Audit, Fund Disbursement, Procurement Process, Financial Literacy

Table 6 showed the multiple regression results of the combined effects of the four independent variables (financial literacy, procurement process, fund disbursement, financial audit process). The results showed that the F-statistics produced is significant (F=45.865, *significant* at *p<.001*), thus confirming the fitness of the model. For an R square of 0.643, this indicated that the study model explains 64.3% of the variations in the prudent financial management of Turbo CDF, while other factors not in this study model accounts for 35.7%, thus, it is a good model.

From the results, all the independent variables (financial literacy; β = 0.271 (0.120) at *p<0.05*; procurement process; β = 0.372 (0.115) at *p<0.05;* fund disbursement; β = 0.287 (0.101) at *p<0.05,* financial audit process*; β = 0.374 (0.121) at p<0.05;* were significant predictors of the prudent financial management of Turbo CDF (dependent variable).

Therefore, the multiple regression equation for overall significant influence of the independent variables (financial literacy, procurement process, fund disbursement, financial audit process) on the prudent financial management of Turbo CDF (dependent variable) is;

(v) $Y= 0.691 + 0.271X_1 + 0.372X_2 + 0.287X_3 + 0.374X_4$

Where;

Y= prudent financial management of Turbo CDF

X_1= financial literacy

X_2= procurement process

X_3= fund disbursement

X_4= financial audit process

Table 7: Coefficients[a]

Model		Unstandardized Coefficients: B	Std. Error	Standardized Coefficients: Beta	t	Sig.
1	(Constant)	.691	.226		3.060	.003
	Financial Literacy	.271	.120	.278	2.259	.026
	Procurement Process	.372	.115	.377	3.246	.002
	Fund Disbursement	.287	.101	.290	2.841	.004
	Financial Audit	.374	.121	.383	3.091	.003

a. Dependent Variable: Prudent Financial Management

Hypothesis Testing

Study **hypothesis one** stated that there is no significant relationship between financial literacy and prudent financial management of Turbo National Government Constituency Development Fund. The study results indicate that there exists a positive and significant effect of financial literacy on the prudent financial management of Turbo National Government Constituency Development Fund (β= 0.271 (0.120), at $p<0.05$. **Hypothesis one was thus rejected.** The results implied that single increase in professional training in financial literacy of CDF managers, technical officers and committee members will yield 0.271 unit improvements in the prudent financial management of Turbo National Government Constituency Development Fund.

The results were supported by Keefer and Khemani (2009) study in India who found that that MPs put considerably less effort into disbursing CDF to their party strongholds than in less secure seats. That is, usually the immediate personal interests of individual legislators in providing benefits to their constituents are mediated by normal legislative process, in which the particular interests of each legislator compete with those of others. In the case of CDFs, by removing the mediating, collective approval process, an important restraint on legislators who would use public resources to serve their personal political interests is lost. Legislators are often free to use CDF funds to woo their most likely supporters and ignore those who will not make a difference, thus appoint cronies to run the distribution of CDF with regard to the financial literacy of their cronies which definitely can influence prudent financial management of CDF.

Study **hypothesis two** stated that there is no significant relationship between procurement process and prudent financial management of Turbo National Government Constituency Development Fund. The study results indicate that there exists a positive and significant effect of procurement process on the prudent financial management of Turbo National Government Constituency Development Fund (β= 0.372 (0.115), at $p<0.05$. **Hypothesis two was thus rejected.** The results implied that single increase in transparent and accountable procurement process will yield 0.372 unit improvements in the prudent financial management of Turbo National Government Constituency Development Fund. The results were supported by Maina (2011) who found that weak oversight and enforcement, non-transparent practices, lack of effective links between procurement and financial management, poor record management and filing system, and delays and inefficiencies on the implementation of the latest procurement systems as factors influencing the implementation of the procurement law in Kenya; the case of Ministry of Education. The study concluded inefficiencies in procurement led to increased procurement costs, causing longer cycle times, lower quality purchasing decisions within the ministry. However the study did not include e-procurement systems because, financial management can still be improved if e-procurement is employed with modern control mechanisms; hence all stakeholders in in the CDF management need to be sensitized on the need of embracing procurement reforms as a key feature of prudent financial management.

Study **hypothesis three** stated that there is no significant relationship between fund disbursement and prudent financial management of Turbo National Government Constituency Development Fund. The study results indicate that there exists a positive and significant effect of fund disbursement on the prudent financial management of Turbo National Government Constituency Development Fund (β= 0.287 (0.101), at $p<0.05$. **Hypothesis three was thus rejected.** The results implied that single increase in timely fund disbursement will yield 0.287 unit improvements in the prudent financial management of Turbo National Government Constituency Development Fund. The results were supported by UDN report (2014) that found that the amount allocated to the CDF projects was found to be insufficient and untimely disbursed. That is, in Kenya, the current allocation of CDF is 2.5% of the national budget which is felt by many people to be rather small and may need to be enhanced to at least 5% and timely disbursed for immediate utilization. In a survey by Ochanda (2015) it was noted that it is still clear that the cumulated amount of funds that go through the district treasuries are much higher than the overall CDF allocation. At the constituency level, the entire amount allocated to each constituency is to be spent based on functional criteria set in the law. One criterion emphasizes that not less than 73% of the CDF allocation should be spent on development projects. According to the statutes, for projects to qualify for CDF funding, they must satisfy three major criteria. First, they must be development-oriented and not recurrent; for instance, funds may be disbursed to build school classrooms but not payment of teachers. Second, projects must be community-based so as to spread the benefits to many constituents. Lastly, the funds can only be disbursed to a defined, auditable phase, unit or element of a given project. It is further noted that once funds are allocated to a given project, they cannot be reallocated or diverted to another project in the same year (Ochanda, 2015).

Study **hypothesis four** stated that there is no significant relationship between financial audit process and prudent financial management of Turbo National Government Constituency Development Fund. The study results indicate that there exists a positive and significant effect of financial audit process on the prudent financial management of Turbo National Government Constituency Development Fund (β= 0.374 (0.121), at $p<0.05$. **Hypothesis four was thus rejected.** The results implied that a single improvement in independent and effective financial audit process will yield 0.374 unit improvement in the prudent financial management of Turbo National Government Constituency Development Fund. The results were supported by Chenhall and Langfield-Smith (2008) also found a greater use of advanced management accounting practices, such as quality audit systems, benchmarking and activity-based audit 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 audit systems which depict prudent financial management practice.

CONCLUSIONS

The study concluded that financial literacy is a significant predictor of prudent financial management since it helps CDF fund managers understand basic accounting and auditing standards as key aspects of prudent financial management of public funds. The study also concluded that transparent and accountable procurement process significantly influences prudent financial management. It was also concluded that imely fund disbursement depict prudent financial management of CDF funds so as to fast track fund utilization in CDF projects. The effective financial audit process enhances prudent financial management of CDF.

RECOMMENDATIONS

First, the study recommended that all CDF managers, committee members and technical officers should undergo regular financial training so as understand prudent financial management of CDF. Secondly, there should be transparent and accountable procurement process to enhance prudent financial management of CDF. Thirdly, there should be timely disbursement of CDF so as to fast track implementation of CDF projects. Lastly, there should be independent and transparent financial audit process to ensure accountability and efficient utilization of CDF.

Areas for further research

First, another study can be done on challenges of using forensic audit of National Government Constituency Development Funds. Secondly, another study can assess the efficacy of IFMIS in financial management of National Government Constituency Development Funds.

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