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INFLUENCE OF GOVERNANCE ON EFFECTIVE FINANCIAL MANAGEMENT OF CONSTITUENCY FUNDS IN KENYA: A CASE OF LAISAMIS CONSTITUENCY

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ABSTRACT

The CDF was introduced in Kenya for decentralization of decision making at the grass root level generally intending to take the bottom up approach rather than the top down approach used before in development initiatives. The fund has faced numerous challenges among them management and governance issues especially in accountability and transparency. The study's purpose was to establish the role of governance on the management of devolved funds and in specific on the Constituency Development Fund (CDF). The study was undertaken in Laisamis Constituency where the researcher used a descriptive research design approach to determine the role of governance in management of devolved funds. The study used a randomly selected sample drawn from the constituency using the rule of thumb. The sample was calculated from the urban population in Laisamis, Korr, Loglogo and Kargi towns in Marsabit County. The data was collected through a questionnaire which was self-administered. Data was analyzed using both qualitative and quantitative methods. The study revealed that the type of accountability and transparency and audit committee significantly affected effective financial management of constituency funds. The study recommends for enhanced accountability and transparency to increase management of funds. It also recommends that there is need to ensure that the audit committee on financing and deliver effective financial management of constituency funds.

Key Words: *Accountability, Transparency, Audit Committee, Financial Management*

INTRODUCTION

Governance is a very old concept that back date to the civilization of human being. Governance means the process of decision making and the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance (UNESCAP, 2013). Governance also refers to the manner in which power is exercised in the management of economic and social resources for sustainable human development (World Bank, 2006). Resources are both present in the public and private sectors and the concept is also applied in more specific sense in corporate governance. Governance then relates to conditions necessary to produce good results from different resources. The authors of a 1999 World Bank working paper assessing the relevance of governance in the public sphere concluded that governance matters, in the sense that there is a strong causal relationship from good governance to better development outcomes such as higher per capita incomes, lower infant mortality and higher literacy (Minde, 2001).

Samson and Daft (2011) define management as the process that leads to the attainment of organizational goals or strategies in an effective and efficient manner through the main management functions of planning, organizing, leading and controlling the available resources. While governance mainly deals with policy issues, management is the art that gets thing done by carrying out the policies (Bader, 2008). The researcher would therefore assess governance in relation to policy for the basis of relating it to management practices. According to World Bank (2006) in a report on the banks experience with governance, public sector management is a dimension of governance that deals with the changing of organizational structure, making budgets work better through better integration of capital and recurrent components, sharpening incentives and placing public enterprise managers under performance contracts.

An attempt to assess the level of public governance in Kenya was done through the 1997 Public Expenditure Review (PER) which sought to assess whether expenditure trends were consistent with sustainable fiscal management, and growth and equity strategies as articulated in different government policy documents. The review revealed that the composition and trends in public expenditure were not consistent with policy goals, especially growth and equity. In particular, there was a big divergence between the budget and its implementation; therefore public funds were termed as being mismanaged. By 2000, 23,448 civil servants had been retrenched as part of public service reforms that included, among other things, retrenching staff and rationalizing the wage bill as well as increasing budgetary allocations to operations and maintenance.

Government in Australia has a long history of delivering public services with and through other sectors. As in many other developed countries, this approach of ‘devolved’ government has increased significantly in scope, scale and complexity.

Devolved government involves the use by the public sector of the not-for-profit and/or the private sectors to deliver public goods and services. It has also been termed ‘third-party government’1 and ‘government by remote control (Frederickson, 2006). In Australia there are several services that were devolved and they are implemented by a private sector as though it is an independent service from the government for example in infrastructure and construction activity.

The government of Kenya has made deliberate efforts to decentralize most of its development projects over the past five years, key among them, the projects aimed at meeting the MDGs. More precisely, in the year 2007-2008 budgetary allocations, more than Ksh 58 Billion went to devolved structures. One of the devolved fund regimes instituted under this period was Constituency Development Fund through the CDF Act, which was later changed to CDF amendment act of 2007. The fund comprised of an annual budgetary allocation equivalent to 2.5% of all the government ordinary revenue collected in every financial year. Constituency development fund is managed at the national and the grass root levels.

At the national level there are constituency development fund boards and the constituency fund committees, while at the grass roots the fund is mainstreamed in the provincial administration structure under the District development Committee (DPC), Constituency Development Fund Committee (CDFC), Locational Development Committees (LDC), and the Ward Development Committees (WDC).

Constituency Development Fund Perspective

The Constituencies Development Fund was created by the Constituencies Development Fund Act, 2003 with the primary objective of addressing poverty at grassroots level by dedicating a minimum of 2.5% of the Government ordinary revenue to grassroots development and the reduction of poverty. The fund is managed by the Constituencies Development Fund Board (CDFB). In January 2013, the CDF Act 2003 (as amended in 2007) was repealed and replaced with CDF Act 2013 that is aligned to the constitution of Kenya 2010. The enactment of the CDF Act 2013 was mainly aimed to ensure that the law governing CDF is aligned to the Constitution of Kenya 2010, specifically in compliance with the principles of: transparency and accountability, separation of powers; and participation of the people. The new law was also aimed to align the operations of the Fund to the new devolved government structure.

The Constituency Development Fund (CDF) is a noble idea which was introduced in Kenya in 2003 after a 24-year authoritarian regime characterized by neo patrimonialism was defeated. The idea sought to compel the state to allocate directly a standardized amount of money to all electoral districts (constituencies) every financial year to cater to local development needs. Initially, the CDF kitty per constituency was twenty million Kenya shillings (approx. $270,000) every financial year. It has since been tripled over the initial amount per constituency thanks to the amended Act of Parliament requiring the government to allocate no less than 7.5% of its annual revenue to the kitty.

Statement of the Problem

Efficient delivery of public services in Africa and other developing regions has for a long time been hindered by highly centralized government bureaucracies (Mwabu etal., 2001). In Kenya several efforts have been made to reduce unnecessary layers of government to make service provision to the populace more effective. This is because devolvement of funds and governance to the locals is fundamental for both social and economic development of any given nation of the world. This aims at enhancing democracy through the participation of citizens by identifying problems that affect them directly and find ways of solving them to improve their wellbeing and also spearhead the operations of the government. Despite the government of Kenya’s endeavor to devolve funds to the grassroots, still the economic welfare of the people is still low. Additionally the report by the controller and Auditor General in Kenya gazette

2010 uncovered massive misappropriation of Constituency Development Funds in 16 Constituencies.

In terms of accountability of the CDF, most of the studies have tended to focus on how the structures are accountable to the central government which devolves the funds and on efficiency of the program's projects (Mwangi, 2005; Nyamori, 2009; Sangori, 2010). Nyamori's work actually concludes that the systems of accountability within the CDF are skewed towards the needs of a centralized national planning, neglecting the aspect of citizen participation and development. In cases where participation has been covered, participation takes the perspective of citizens as rational choice actors within an economic space rather than participation within a democratic space provided by the program. For instance, numerous participatory examples are given where local businessmen win road, schools and health center tenders (IEA—Kenya, 2006, Gituto, 2007). This study therefore examined the effect of governance on effective financial management of devolved constituency fund in Laisamis Sub County.

Study objectives

The general purpose of the study was to establish the influence of governance on effective financial management of constituency funds in Kenya. The specific objectives were to:

- Examine influence of transparency and accountability on effective financial management of constituency funds in Kenya
- Determine the influence of audit committees on effective financial management of constituency funds in Kenya

LITERATURE REVIEW

Theoretical Review

Accountability Theories

Accountability requires an account of the extent to which the objectives for which the resources were entrusted have been achieved. This accountability is described as a contract between an agent and a principal and arises from a duty upon the agent and the rights of the principal (Gray, et al., 1987). The principal can be entirely passive and this would not matter to the agent whose duty nevertheless is to account - the passive principal is merely waiving his or her rights to the information (Stewart, 1984). On the other hand, it has been argued by Tricker (1983) that the agent only has a duty to account to principals who demand information and are woulding to enforce the contract. Much of the research on corporate accountability suggests that regulation is the only way to ensure that companies provide complete and comparable reports.

Gray et al. (1987) suggest a compliance with standards approach, and the proliferation of reporting guidelines mainly on environmental issues. Many academics consider that only mandated, standardized reporting would produce the comprehensive information needed to assess corporations' performance. Support for such a regulated approach is provided by evidence that voluntary disclosure levels are much lower than those for mandated disclosure (Guthrie & Parker, 1990). A more persuasive argument for the use of legislation in making companies more accountable is that social and environmental matters are too complex and crucial to be left entirely in the already overburdened hands of corporations. Thus, by opening up organizations in order to inform stakeholders, it enables the stakeholders, rather than management of organizations, to express their choices about critical issues. One of the problems associated with reporting against mandatory

standards however, is the question of who ensures compliance with those standards and what penalties apply for non-compliance. For implementing agencies it can be argued that accountability should be more focused on accounting for their actions and effects on society, rather than accounting for their financial performance (Bebbington & Gray, 1993).According to Ebrahim (2003), agency accountability is a dynamic concept and arguably more complex than simply making agents transparent and allowing public scrutiny, which highlights the issue of competing stakeholder interests. Organizations must deal with competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders first and often at the expense of secondary stakeholders' needs as their principle goal is aligned with the needs of these primary stakeholders. Brown & Moore (2001) postulate that since agencies are not coherently aligned with one another they must, like other organizations, also prioritize their stakeholders. This can have dire consequences for their existence as their goals to provide welfare may not always be aligned with the goals of their donors. A number of scholars have shown that the problems of adverse selection and moral hazard exist in the management of diverse outlets. Outlet/agency managers have an incentive to shirk and to misrepresent their abilities since the owner of the firm cannot easily differentiate the effect of manager behavior on outlet performance from the effect of exogenous factors (Brickley and Dark, 1987).

Franchising scholars have found that one way that performance of outlets can be enhanced is through the provision of residual claimancy. However, the establishment of a hybrid organizational form does not eliminate all agency costs (LaFontaine and Kauffman, 1994). Roberts (2002) undertook a study to understand the determinants of corporate social responsibility disclosure using a sample of 80 companies drawn from a population of 130 major companies investigated in 1984, 1985 and 1986 by the Council of Economic Priorities (CEP). Roberts found that his measures of stakeholder power, strategic posture and economic performance are significantly related to levels of corporate social disclosure. The findings contribute to the knowledge on how organizations should manage their stakeholders using disclosures. However, the extent to which such disclosures are related to accountability remains debatable. For example, numerous studies from the 1980s through to 2000s report either no significant or negative relationship between disclosure and accountability (Patten, 2002).

In another related study, Fogarty (1996) examined accountability standard-setting process and found that institutionalization, through the basis of separated procedures and the formal characteristics of assessment, enables the organizations to achieve tolerable decisional freedom. He further noted that the visibility of its processes, and the consequences of its outcomes, contributed to its critical dependence on legitimacy. Further, he analyzed the peer review process of firms as a mechanism utilized by them seeking to legitimize a largely self-regulatory industry. Studies by the National Audit Office (2001) regarding accountability practices indicated that accountability for joint expenditure requires the roles and responsibilities of partners, how their performance is to be measured and reported, and the accounting and audit arrangements to ensure propriety over public expenditure all need to be clearly set out and understood partners are kept informed, that performance is monitored, and that partners live up to their commitments. Joint initiatives rely on clear

expectations, and each of the partners knowing in concrete terms what is expected of them.

Stakeholders Theory of Accountability

Creating accountability in public service is extraordinarily complex. There is a complex web of policymakers and providers in such responsibility. The issue of accountability is also complicated by the difficulty in defining and measuring financial outcomes. Extensive research suggests that about two-thirds of the variation in achievement is the product deliberate neglect and slim commitment to account (Ladd, 1996). The stakeholder theory has been used quite extensively in the management literature since Freeman's landmark book Strategic Management: A Stakeholder Approach was published in 1984. He proposes that current approaches to understanding the business environment fail to take account of a wide range of groups who can affect or are affected by the corporation, its stakeholders. He further argues that in order to manage effectively in turbulent times which typifies the dynamic nature of the business environment of today, the stakeholder theory offers a way to address the ever changing demands brought about by different groups having legitimate stakes of varying degrees from the organization (Jensen & Meckling, 1996).

The basic proposition of the stakeholder theory is that the organization's success in the attainment of accountability standards is dependent upon the successful management of all the relationships that it has with its stakeholders. When viewed as such, the conventional view that success is dependent solely upon maximizing shareholders' wealth is not sufficient because the school entity is a nexus of explicit and implicit contracts. Furthermore, the stakeholder theory assumes that organizations have the ability to influence not just society in general but its various stakeholders in particular. İn developing the stakeholder theory, Freeman incorporates the stakeholder concept into categories: planning and policy model; and corporate social responsibility model of stakeholder management (Jensen and Meckling, 1996).

The stakeholder analysis focus on developing and evaluating the approval of the organization's strategic decision by groups whose support is required for continued existence. The stakeholders in this model would include the Government, CDF, Audit Committee target groups and general public. Although these groups are not adversarial in nature, their possibly conflicting behavior is considered a constraint on the strategy developed by management to best match the resources with the environment. In the second model, the corporate planning and analysis extends to include external influences which may be adversarial to the firm. These adversarial groups may include the regulatory, environmentalist and/or special interest groups concerned with social issues. The second model enables organizations to consider a strategic plan that is adaptable to changes in the social demands of nontraditional stakeholder groups (Chan and Kent, 2003).

Fiscal Decentralization Theory

Francesso (2009) defined fiscal decentralization as a two-dimensional policy institution that involves either decentralization of a tax instrument, when local governments have the power to raise taxes, or decentralization of expenditures when local governments bear the responsibility for implementing expenditure functions.Fiscal federalism and decentralization derive their nature and characteristics from constitutional provisions as well as the economic, social, and political environment of the nation. The level of economic development, population size and distribution, urbanization, ethnic fractionalization, geographical

sectionalism, the pattern of income and resource distribution, and institutional capacity are some of the factors that shape the principal agents relationship in the system (Majeed et al., 2006).

Hindriks and Lockwood [2008] addressed the question of what effect fiscal decentralization can produce on accountability, either in terms of selection effects or in terms of incentive effects, in an environment where politicians are rent-seeking and voters have only imperfect information about the fiscal policy of other regions so that yardstick competitions are partially ruled out. Their conclusion confirms the positive effect of decentralization on the quality of government since centralization give rise to a weaker selection effect, but only when costs of provisions are perfectly correlated across regions.

An important aspect of fiscal decentralization is the assignment of fiscal functions to the federal and the sub-national governments and the appropriate means of financing these responsibilities. The theory of fiscal decentralization does not provide a clear perspective on the optimal distribution of fiscal decision making authority and how such decisions are related to economic efficiency, growth, resources allocation and income distribution (Oates, 2005).

Financial Literacy Theory

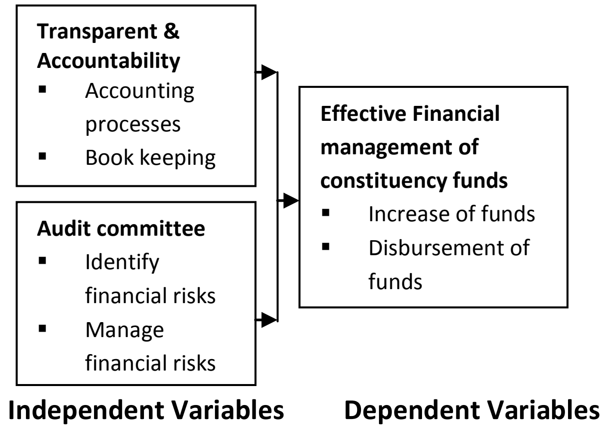
Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of two thinking styles according to dual-process theories: intuition and cognition. Dual-process theories embrace the idea that decisions can be driven by both intuitive and cognitive process. Dual process theories have been applied to several fields, including reasoning and social cognition (Evans 2008). Financial literacy covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson and Messy, 2005).

Financial literacy empowers investors by educating them to acquire relevant knowledge and skills in financial management on projects. Financial knowledge helps to overcome most difficulties in advanced projects. Financial literacy allows the investors to encounter difficult financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance for the projects. More importantly, financial literacy enhances decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. Financial literacy leads to more effective use of financial products and services, greater control of one's financial future and reduced vulnerability to overzealous retailers.

Financially literate investors are able to create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller et al 2009). Greenspan (2002) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment

decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility for the projects.

Conceptual Framework



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Transparency and Accountability.

Public financial resources need to be managed and controlled, weaknesses in national public financial management systems need to be identified and a lasting solution need to be put in place. There cannot be any transparency without achieving accountability first. There can be no accountability without maintaining books of accounts in the centres of government responsibility. There can be no effective accounting process unless Governments and government agencies prioritize it and provide the needed resources. It should be known therefore that financial resources may continue to be planned for (budgeted), and laws may be passed by Governments, but this would not necessarily produce effective results (accountability and transparency) if the control process (accounting) is defective or malfunctioning. It can also be argued that Governments should document the public financial control system, put in place a system to review its elements and components on an annual basis (especially accounting processes), realign them and make them complete to match the environmental change

Audit Committee.

The audit committee plays an important part in the company's financial integrity for the shareholders. Audit committee members must be critically aware of and fully understand their oversight responsibilities. How the responsibilities are carried out may vary, but a failure to address them may have consequences for the audit committee, the board and the shareholders.

Risk management involves identifying risks that may prevent a company from achieving its objectives, analyzing those risks, avoiding certain risks, and managing those that remain. The board of directors is ultimately responsible for the risk management system and for reviewing its effectiveness. The CDF's management is responsible for the identification, assessment, and management and monitoring of risk, and for developing, operating and monitoring the system of internal control, and for providing assurance to the board that it has done so. The process of identifying and managing the Fund risks includes the identification and management of financial risks that can affect the Fund financial reporting – a matter of critical importance to the audit committee.

Empirical Review

A number of scholars have shown that the problems of adverse selection and moral hazard exist in the management of diverse outlets. Outlet/agency managers have an incentive to shirk and to misrepresent their abilities since the owner of the firm cannot easily differentiate the effect of manager behavior on outlet performance from the

effect of exogenous factors (Brickley and Dark, 1987). Franchising scholars have found that one way that performance of outlets can be enhanced is through the provision of residual claimancy. However, the establishment of a hybrid organizational form does not eliminate all agency costs (LaFontaine and Kauffman, 1994).

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Studies by the National Audit Office (2001) regarding accountability practices indicated that accountability for joint expenditure requires the roles and responsibilities of partners, how their performance is to be measured and reported, and the accounting and audit arrangements to ensure propriety over public expenditure all need to be clearly set out and understood.

Accountability and Transparency

The level of transparency and accountability a society requires of its public financial management system is usually defined by the constitution and/or the legislation governing management of public monies. Typically, the audit and public finance Acts and their associated regulations would set out the frequency, timing, level of detail and responsibility for statutory reporting. More detailed statements of management reporting responsibilities and systems monitoring standards may also be documented in circulars and guidelines issued by heads of responsible departments. Together, this body of documentation establishes an analysis and reporting framework whose environment, or "mask", behind which corruptive practice can evolve undetected. This secondary effect may have profoundly negative outcomes for government. It is necessary then to consider how financial managers can assess the level of exposure within their own systems and what decisive remedial action could be taken at the systems level to restore confidence in public financial management and reassure civil society that appropriate levels of transparency and accountability are being achieved. the judiciary plays an important role in promoting the accountability of politicians. The measure of the power of the judiciary is judicial independence from La Porta et al. (2002), which is presumably helpful in making sure that judges can fight corruption without fear of retribution Successful political systems hold politicians accountable for misconduct such as corruption or favoritism toward associates. Some of the mechanisms of such

accountability include checks and balances among branches of government, law enforcement, and voting in elections.

Political theorists going back to Locke, Montesquieu, and Madison emphasized the centrality of accountability for good government. More recently, the various mechanisms have been investigated more systematically by political scientists and economists (e.g., Barro 1973, Ferejohn 1986, Przeworski et al. 1999, Schedler et al. 1999, Persson and Tabellini 2000, Besley 2006). A number of empirical studies also show the benefits of accountability for the quality of government (e.g., Besley and Case 1995, La Porta et al. 1999, Adsera et al. 2003, Olken 2007, Bjorkman and Svensson 2007, and Ferraz and Finan 2008). Accountability of government officials for misconduct relies on availability of information about their activities. There can be little accountability for misconduct without transparency. Recent analyses focus on the role of the media as the source of discovery and dissemination of such information to both voters and law enforcement agencies (e.g., Brunetti and Weder 2003, Djankov et al. 2003, Besley and Prat 2006, and Reinikka and Svenssson 2006). Media surely matter, but there is another, relatively neglected, source of information that facilitates discovery of misconduct, namely disclosure by politicians of their finances and business activities. By exposing deception or self-dealing, disclosure can stimulate both reporting in the media (and thus influence voting) and law enforcement

Audit Committee's

Section 31 (3) of the CDF Act, 2013, provides that the CDF Committees and the CDF Board shall be responsible for monitoring the implementation of CDF projects and may designate a sub-committee to undertake the monitoring and evaluation role. It is therefore on this premise that the CDF Board would be required to organise for the training on Monitoring and Evaluation (M&E) to equip the Fund Account Managers and Committee members on the need for the efficiency of the fund.CDF projects requires people with high technical competence who would use his/her professional competence and professional skeptism on the management of this funds. This training is quite essential to the committee because the member are appointed by the MP in most of the times are his friends and kinsman who may not have the necessary skills to manage the fund professionally. Good governance of various projects would require the technical competence of the member who would use their skills in project managements; financial advisory skill and project budgeting are some of the skills that members would be required to have so shtat this funds are well managed well in the best interest of the public. Huge tasks is bestowed upon this members who are required to allocate CDF resources to various projects that the public have wanted to be conducted

METHODOLOGY

The study was conducted using descriptive research design. Data collected from a sample population was analyzed to discover occurrences in the target population. This research design is mostly used for collecting information about people's attitude, opinions and habits and also in education and social science issues (Orodho 2009). To get in depth analysis, the study used 37 project management committee members and 3 officials responsible for monitoring and evaluation of CDF projects funds in the constituency. This population was chosen on the basis of their mandate to monitor and evaluate projects undertaken under Constituencies Development Fund.

The study purposively used 40 officers in charge of monitoring and evaluation of the projects in Laisamis constituency. The population was small and manageable for data collection; therefore the study adopted census sampling technique.

The study used questionnaires to collect primary data from the respondents as research tools (Kothari, 2005). The questionnaire, which was semi-structured, was administered through drop and pick-later method to the sampled population. The study collected primary data and compared it with the available secondary data for the literature review. The study used both primary and secondary data during the study. Primary data was collected using questionnaires that were given to respondents (vitims) who formed units of observation for the study. The pilot study involved pre-testing the questionnaires on 5 respondents of sample population.

To ensure easy analysis, the questionnaire was coded according to each variable of the study to ensure accuracy during analysis. Quantitative data was analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS) version 21 and excel. The study adopted inferential statistical analysis. The test of significance was used are multiple regression analysis expected to yield the coefficient of determination (R2) and p – values.

RESULTS

From the data collected, out of the 60 questionnaires administered, 32 questionnaires were fully completed and returned making a response percent of 54.25%. The response rate was therefore adequate for the study to make relevant conclusions basing on the responses. Cronbach alpha which is a reliability coefficient was used to indicate how well the items in the set were correlated to each other. The cronbach alpha was computed in terms of the average inter-correlations among the items measuring the concepts. The recommendation for cronbach alpha is that the closer the alpha is to 1 the higher the reliability (Sekaran, 2008). A value of at least 0.7 is recommended. The Cronbach's alpha results were ranging between 0. 852 and 0.901 and therefore the construct were acceptable.

The study sought to find out the demographic information of the respondents which included gender, age, marital status and the level of education.

Based on gender, majority (62%) were male respondents with (38%) being females respondents. The results indicated that the two genders were adequately represented in the study since there was none which was more than the two-thirds. Based on age, majority (55%) indicated that they ranged between 41-50 years, followed by those who indicated that they are above 50 years with few (25%) and (15%) and indicating that they were 31-40 years and 20-30 years respectively. This implied that respondents were well distributed in terms of their age during the study. On level of education, majority (40%) indicated that they had university first degree, followed by those who indicated that they had diploma at (33%) with few (14%) indicating that they had master's degree and (7%) doctorate qualification respectively and this implied that respondents were well educated and that they were in a position to respond to research questions with ease. On work experience, majority of respondents 55% indicated that they had been in the financial management over 10 years followed by those who indicated that they had been in the financial management for a period of 8-9 years (25%), 15% indicating that they had 5-8 years and with only few (5%) indicating that they had been in

financial management for a period more than 2-5 years. The study therefore observed that the respondents were experienced people who were in their respective management of financial management for the long haul.

Accountability and Transparency

The study sought to determine whether accountability and transparency influence effective financial management of constituency funds. From the research findings, most of the respondents 35% were of the opinion that accountability and transparency affected effective financial management of constituency funds to a great extent, 20% of the respondents indicated to a very great extent, 25% of the respondents indicated to a moderate extent whereas 15% of the respondents indicated to a small and 5% of the respondents indicated to a very small extent. This implied that accountability and transparency influenced effective financial management of constituency funds to a great extent. The findings were in agreement with the findings of World Bank (2009) which states that devolution, involving a variety of mechanisms to accountability and transparency which provides ownership and/or political authority for health service delivery from the central national government to alternate institutions should be promoted as a key means of improving health sector performance.

The study sought to establish the extent to which respondents agreed with the statements relating accountability and transparency on effective financial management of constituency funds in the study area. A scale of 1-5 was used. The scores "Strongly disagree" and "Disagree" were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree≤ 2.5). The scores of 'Neutral' were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral ≤ 3.5). The score of "Agree" and "Strongly agree" were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21. From the research findings, majority of the respondents agreed that accountability and transparency can increase quality in service delivery by ensuring priority in resource allocations; good accountability and transparency of the health projects ensure that there is equity in allocation of the in resource allocations for the projects, Transfer of functions to county governance can help increase the effectiveness of services delivery through community involvement in the decision making process. The respondents disagreed that there was effective accountability and transparency had improved effectiveness of delivery of projects to the residents as shown by a mean of 2.45, the leadership ensure that there is community involvement in policy making, and for the voice of the community to influence the decision of the policymakers effectively on in the constituency funds, the leadership ensured that there was transparency and accountability of the projects being implemented, because of the effective and efficient accountability and transparency the public was satisfied of the management of funds. The respondents agreed that the change process must involve a team of leaders and individual managers to help inspire change within each portfolio, department, and unit. The finding of the study corroborated with literature review by (WHO, 2005; Omar, 2003; UNDP, 1997) who observed that accountability and transparency improved management of funds. When the power and authority to make decisions was devolved to the counties where the local people have a direct say on how things are done at the grassroots, management of funds would be tremendously

improved. This is because; there would be accountability and direct participation of the people in the running of the day to day activities of the local regional/county governments (World Bank, 2009).

Audit Committee

The study sought to determine whether audit committee influence effective financial management of constituency funds. From the research findings, most of the respondents as shown by 40% were of the opinion that audit committee influence effective financial management of constituency funds as illustrated to a very great extent, 25% of the respondents indicated to a great extent, 16% of the respondents indicated to a moderate extent whereas 14% of the respondents indicated to a small extent and 5% of the respondents indicated to a very small extent. This implied that audit committee influenced. The study sought to determine whether oversight authority influenced effective financial management of constituency funds as illustrated to a very great extent.

The study sought to establish the extent to which respondents agreed with the statements relating to accountability and transparency on performance of devolved health projects in the study area. A scale of 1-5 was used. The scores "Strongly disagree" and "Disagree" were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree≤ 2.5). The scores of 'Neutral' were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral ≤ 3.5). The score of "Agree" and "Strongly agree" were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21. The results were presented in mean and standard deviation.

From the research findings, majority of the respondents to a great extent indicated that financing is a fundamental resource needed to deliver effective financial management of constituency funds as illustrated as by a mean of 4.81; the reliable sources of finance have a positive influence on effective financial management of constituency funds by a mean of 4.00. The respondents disagreed indicated that there is a good effective financial management of constituency funds in place to ensure it raises adequate funds for projects in the county by a mean of 2.57. The respondents to small extent indicated that there is effective accountability and transparency level which has improved effective financial management of constituency funds by a mean of 2.57, the audit commiittee ensured that there was sufficient budgetary allocation to implement effective financial management of constituency funds by a mean of 2.45 and the county government had an effective plan to manage its financial resources in supporting and implementing various effective financial management of constituency funds by a mean of 2.01. The findings of the study were in agreement with literature review by Schieberand Akiko (2007) who stated that audit committee in financing is a key determinant of effective financial management in terms of equity and efficiency, and quality.

Effective Financial Management

The respondents were requested to indicate rate of increase of funds in the last five years (2011 to 2015). The study established that the rate of increase of increased of funds was low with an average of 20% of the respondents stated that it increased by 10%, with an average of 30% of the respondents indicated that it increased by more

than 10%, with an average of 32% of the respondents posited that it increased by less than 10%, with an average of 35 % of the respondents cited that it decreased by 10%, with an average of 25% of the respondents indicated that it decreased by more than 10% and an average of 23% of the respondents indicated that it decreased by less than 10% in the last five years. The study findings implied that there was low increase of increase of funds in the last five years.

In establishing the percentage rate of increase of disbursement of funds in the area for the last five years (2011 to 2015). The study established that the increase of disbursement of funds in the area was poor with an average with an average of 34% of the respondents stated that it increased by 10%, with an average of 35% of the respondents indicated that it increased by more than 10%, with an average of 45% of the respondents posited that it increased by less than 10 %, with an average of 36 % of the respondents cited that it decreased by 10%, with an average of 54 % of the respondents indicated that it decreased by more than 10% and an average of 34 % of the respondents indicated that it decreased by less than 10% in the last five years. The study findings implied that there was low rate of increase of disbursement of funds in the area in the last five years.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of the Study Findings

The general objective of the study was to examine the influence of effective financial management of constituency funds in Kenya. The study specifically determined the effect of accountability and transparency and audit committee on effective financial management of constituency funds in Kenya. The reviewed literature showed that effective financial management of constituency funds played an important role in the country. Further, it was revealed that the type of accountability and transparency and audit committee significantly affected effective financial management of constituency funds.

Accountability and Transparency

From the research findings, majority of the respondents agreed that accountability and transparency can increase quality in service delivery by ensuring priority in resource allocations; good accountability and transparency of the health projects ensure that there is equity in allocation of the in resource allocations for the projects, Transfer of functions to county governance can help increase the effectiveness of services delivery through community involvement in the decision making process. The respondents disagreed that there is effective accountability and transparency at has improved effectiveness of delivery of projects to the residents, the leadership ensure that there is community involvement in policy making, and for the voice of the community to influence the decision of the policymakers effectively on in the constituency funds, the leadership ensure that there is transparency and accountability of the projects being implemented, because of the effective and efficient accountability and transparency the public is satisfied of the management of funds. The respondents agreed that the change process must involve a team of leaders and individual managers to help inspire change within each portfolio, department, and unit.

Audit Committee

From the research findings, majority of the respondents to a great extent indicated that financing is a fundamental resource needed to deliver effective financial management of

constituency funds; the reliable sources of finance have a positive influence on effective financial management of constituency funds. The respondents disagreed indicated that there is a good effective financial management of constituency funds in place to ensure it raises adequate funds for projects in the county. The respondents to small extent indicated that there is effective accountability and transparency level which has improved effective financial management of constituency funds, the audit committee ensure that there is sufficient budgetary allocation to implement effective financial management of constituency funds and the county government has an effective plan to manage its financial resources in supporting and implementing various effective financial management of constituency funds.

Conclusions of the Study

Based on the study findings, the study concludes that effective financial management of constituency funds was affected by accountability and transparency and audit committee were the major factors that mostly affecting effective financial management of constituency funds in Kenya.

The study concludes that accountability and transparency is the first important factor that affects effective financial management of constituency funds. The regression coefficients of the study showed that it had a significant influence of 0.876 on effective financial management of constituency funds. This implied that increasing levels of accountability and transparency by a unit would increase the levels of effective financial management of constituency funds by 0.876. This shows that accountability and transparency has a positive influence on effective financial management of constituency funds.

Further, audit committee is the second important factor that affects effective financial management of constituency funds. The regression coefficients of the study showed that audit committee had a significant influence of 0.606 on effective financial management of constituency funds. This implied that increasing levels of audit committee by a unit would increase the levels of effective financial management of constituency funds by 0.673. This showed that audit committee had a positive influence on effective financial management of constituency funds

Recommendations of the Study

The study recommends for enhanced accountability and transparency to increase management of funds by ensuring priority in resource allocations and equity. The effective accountability and transparency can improve effectiveness of delivery the leadership ensure that there is community involvement in policy making, and for the voice of the community to influence the decision of the policymakers effectively on in the constituency funds. There is need to ensure that the public is satisfied of the management of funds. The change process must involve a team of leaders and individual managers to help inspire change within each portfolio, department, and unit.

There is need to ensure that the audit committee on financing and deliver effective financial management of constituency funds. The reliability of sources of finance has a positive influence on effective financial management of constituency funds. The audit committee should ensure that there is sufficient budgetary allocation to implement effective financial management of constituency funds and the county government should be involved to support effective plan to manage its financial resources in supporting and implementing various projects financed by the .

Recommendations for Further Studies

The study is a milestone for further research in the field of effective financial management of constituency funds in Kenya. The findings demonstrated the important factors to effective financial management of constituency funds to include; accountability and transparency and audit committee. The current study should therefore be expanded further in future in order to determine the effect of legal framework on effective financial management of constituency funds. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other areas in Kenya to establish whether the explore factors can be generalized to influence of governance affect effective financial management of constituency funds.

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