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EFFECT OF BUDGETARY CONTROL PRACTICES ON FINANCIAL ACCOUNTABILITY OF NYAMIRA COUNTY GOVERNMENT, KENYA. A MODERATING ROLE OF GOVERNMENT POLICY

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ABSTRACT

This study assessed the effect of budgetary control practices on financial accountability in Nyamira County government. The specific objectives were; to examine the effect of budget formulation on financial accountability and to determine the moderating role of government budget policy on the relationship between budgetary control practices and financial accountability in Nyamira County. The study anchored on budget theory. The study adopted descriptive survey research design. The study was conducted in Nyamira County. The target population was 190 county employees. The sample size was 184 county employees. Stratified sampling technique was applicable for selecting employees. The data collection instrument was structured questionnaires. To ensure validity of the research instruments, the supervisors appraised and evaluated the applicability and appropriateness of the content clarity and adequacy of the construction of the instruments from a research perspective. Reliability was determined by use of Cronbach Alpha coefficient value. When Alpha coefficient value is more than 0.7 the data is reliable. Descriptive analysis such as mean, minimum, maximum, and standard deviation was used to analyze data. Inferential statistics; correlations and regression analysis were used to establish the relationship between variables. Presentation of data was done by tables and figures. The study concluded that the amount of money was approved by legislature through departmental actual cost estimates. The amount spent depended on actual cost estimates were approved by the authority upon completion of the financial year. However, the amount spent depended on actual cost estimates were approved by the authority upon completion of the financial year and earned value was approved through projected results budgeted costs of work performed in the county. Budget approval had a positive strong correlated with significant effect on to financial accountability shown by r .882 p=.000. Actual financial goals were maintained and controls by reviewing current position of the county. The study suggested for further research on budget approval and performance of other organization.

Key Words: *Budget Formulation, Government Budget Policy, Budgetary Control*

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INTRODUCTION

Budgetary Control Practices

Budget control practices were first started in Pakistan in 1901 as a quantitative expression of a plan of action prepared for an organization as a whole. Focus of budgetary control was usually on departments or functions such as sales and production or financial resources items such as cash, capital expenditure, man power purchase, and others. It is a planning and control tool relevant to all aspects of management activities. In addition, a budget is seen as a document that translates plans into the money to spend on planned activities (expenditure) and money to be generated at the costs of that work done (income). It is an estimate, or informed guess, about what they will need in monetary terms in (Batool, 2012).

Budgetary control is a normal planning cycle, the organization will begin with a strategic planning process where the problem that needs to be addressed is looked at and the specific role of the organization in addressing it is defined in NewYork. This then is related to what actual activities need to be undertaken to achieve the planned impact. This is thus the operational plan and it is the operational plan that cost needed. cannot prepare a budget until they know what it is they are planning to do and that operational costs will only be incurred when they do the actual work (Alan & Emeka, 2018).

Budgetary control is an essential management tool in Nigeria. Without a budget, they are like a pilot navigating in the dark without instruments. Therefore, it is important for an organization, project or department to have a budget to know how much money it needs to carry out its activities and also forces it to be rigorous in thinking through the implications of its activity planning. There are times when the realities of the budgeting process force they to rethink they action plans and used properly, the budget tells they when they will need certain amounts of money to carry out they activities; the budget enables they to monitor they income and expenditure and identify any problems; the budget is a basis for financial accountability and transparency (Owler, 2009).

Budgetary control is well known by everyone to see how much should have been spent and received, they can ask informed questions about discrepancies; one cannot raise money from donors unless there is a budget in Kenya. Donors use the budget as a basis for deciding whether what they are asking for reasonable and well-planned, since budgeting involves costs, it is crucial to estimate and control the kind of costs to be realized when preparing a budget (Aslani, 2017).

Budgetary control is a system which uses budgets as means of planning and controlling all aspects of producing/or selling commodities and services. Budgetary control of sales and costs is obtained through executive action, guided by the monthly comparisons of actual and the planned results in Egypt. According to firms planning, budgeting and budgetary control entails the process of establishing goals by the management of an organization and designing a process which serves as a framework within which an organization effectively articulates overall planned activities. The quantification of these planned activities in financial terms is known as budgeting, while the establishment of an effective mechanism to guarantee desired result is known as budgetary control (Lambeet, 2015).

Budgetary control is the effective way of managing resources of NGOs in Congo results. It revealed that NGOS have budgetary controls at different levels of the organization. The studies also revealed that majority of the NGOs have planning, monitoring and inclusion of stakeholders in the budget process. It was also found out that panning greatly contributed to performance of an organization followed by monitoring while participation of stakeholders in the budget process came last. The study concludes that most of the NGOs had the required 30% administration cost and 70% percent program costs which is a standard requirement (Allen, 2007).

Budgetary controls enhance financial performance of manufacturing companies in Tanzania, where budgetary control incorporates the company’s strategic planning, budgets and cost control, budgetary control defines skills needed for effective decision making. The study further revealed that budgetary control helped to identify sources of finance and business data required to develop financial strategies and that finally it assisted to economize management time by using management by exception principle (Mutai, 2015).

Budgetary control as a measure of the financial performance of state corporations in Kenya among the challenges identified in the study was the failure of the budget process to focus on organizational long term goals. A majority of the respondents said this had led to undefined financial goals which could lead to negative financial performance. Lack of well-functioning accountability framework was found to affect financial performance as revealed by a majority of respondents (Adongo & Jagongo, 2013).

Budgetary control is the managerial commitment towards found to utilize operational costs and consequently affecting the performance of Kisii County. There are three parts to the production budget: direct materials purchases budget, direct labor budget, and overhead budget. Each is required to produce the production budget (Nyabwanga, 2014).

Budget Formulation

Budget formulation is essential without it firms cannot achieve its goals. In United States every organization regardless of size relies on budgetary formulation in achieving strategic objectives. The public and private sectors use budget to pack action of determining sources of funds and evaluate how it is used with the entrusted people (Maritim, 2018).

Budget formulation is the primary goal of government to provide essential services to its citizens through corporations and government in Indonesia. The government delivers services in routine of all available resources through planning, preparations and summarizing budget formulation strategies. It provides summary of plans of which revenue and expenditures are made within government operations in the financial year (Nuthia, 2017).

Budget formulation is accountable with policies of resources allocations and use of those resources within financial budget in India. Government is supposed to be accountable to its citizens through budgets. The formulation function is performed with accordance of established policies, rules and control practices governing financial regulation. The formulated budget is usually approved and implemented with promotion of socio-economic welfare of the citizen, financial development supports. This may not be attained without budget formulation because it is the common useful technique of financial accounting if it is well understood. The use of funds is effective with available funds (Suberu, 2016).

Budget formulation is necessary in decision making to provide financial responsibility in Nigeria. The need for budget formulation is related to resource identifications in the organization goals. The allocation of budget achieves the organization goals and effect of executions. The potential functions accrue budgeting in performance not only public organization but also in private organizations (Drake, 2018).

Budget formulation is difficult to achieve as it is complex to control and practice in Guinea. Participation of executives and legislative is the budget process begins early the financial year in office of budget management to departmental planning. The budget formulation comprise of estimations of revenue and expenditure information on policy legislatives. Office of management and budget estimates revenue and expenditures focuses financial priorities of every department, budget estimations and documentations (Wamu, 2019).

Budget formulation is line with budget and accounting act of 1921 upon financial budget analysis through proposal of historical programs and occurrence budget resolutions in Namibia. The formulations process starts with establishment of financial year budget committee responsibility in Namibia national budget handbook. The reporting of budget resolution in past have similar procedures and policy considerations, congressional budget and impoundment control act of 1974. The existing public expenditure and revenues conforms to budget formulation and spending outlaying existing budget law (Shafudah, 2014).

Budget formulations have been reconciled with financial obligations in ensuring best allocation is achieved in national government resource in Rwanda. The submission of budget has been believed to be a problem with standard practices used in the fiscal year. There are legal provisions governing budget formulation with financial regulation under constitution to estimate expenditure and revenue trends. The performance has been influenced by fiscal years trends following budget determination of revenue. Expenditure framework is developed on statutory transfers, ministries, debt services, agencies and departmental needs (Chiche, 2017).

Budget formulation process determines resources required to conduct activity of programs and achieve strategic goals and mission in Kenya. Budget formulation depends on feasibility of estimates feasibility on three ways starting from surplus budget, balanced budget and deficit budgets. The draft of budget is shown by minister of finance for approved funds with well supported documents formally to national government considerations and appropriations by house representatives. The county budget formulation is treated separately by National assembly in relations to budget procedures harmonizing drafted budget and make recommendations. The oversight of formulating budgets is harmonized separately by appropriation bills in different departments and ministries (Bange, 2018).

Budget formulation is characterized by the challenges of weak financial year reporting of different cultures in ministries. Nyamira County is achieved by its consultative budget process involves department of stakeholders, political clears and citizens. The budget formulation is not adequately prepared to reflect county projects which are ever unending as different implementations stages are not accountable. There is no adherence to well formulating and evaluating budgets estimates on projects ongoing making it hard to formulate each budget amount. The county government remains with unplanned budget formulation trends where recurrent expenditure which is the payments is made on goods and services which does not influence creation of wealth but consists of wages supplements, salaries, purchases and consumptions that capital assets or payment of acquisition of an asset, land and intangible assets. Accountability of funds remains uncertain resulting to bloated budgets (Makori, 2018).

Government Policy

The government policy of European public institutions involves the use of different processes or stages, preparation of cash flow plans by line departments and county treasury to project the levels of expenditure, revenue and debt; release of funds to the county operation account through warrants; Procurement of goods by departments; Commitment of funds, that is an indication that funds will be spent on particular goods and services and are no longer available for other purposes (PFM Act, 2014)

Government policy plays an important role of budgeting for attaining the expected quality and standards in planning, control, leadership and staffing. Policy is generally positively associated with budget performance in United Kingdom. It focuses on the extent to which employees have achieved expected levels of work during a specified time period. The reports should be simple and suitable for the level of understanding for the user. They should be presented promptly to enable timely actions to take place (Cooik, 2018).

The government policy in budget process refers to the process through which the government prepares, approves and implements its budget in Mexico. In any given year, county budget process consists of three simultaneous activities of reviewing, implementing and planning. As planning for the next year budget is underway, the previous year's budget is being reviewed and the current budget is under implementation (Lanis, 2010).

Government policies have been reporting cases of money budgeted for development projects being returned to the National treasury at the end of the fiscal year. Also, there is a growing concern that of the total development budget that is disbursed and is spent do not reflect the level of development, poverty prevalence or access to essential services of Apparel Industry in Sri Lanka (Silva, 2012).

Government policy links resources allocated and policy objectives, this is mainly due to weak capacity among MDAs to link resources and policy objectives. As a result, spending takes place with little impact on policy objectives. Over the few years of devolution audit reports have cited numerous instances of fraud, wastage and poor accountability in Cameroon Company's budget estimation plans. Numerous questions have been raised in recent years regarding the flow of funds from the national government to the counties. Counties have complained frequently about delays in their disbursements. Here again, it has been difficult to understand the root of the problem (Nuthia, 2017).

Government policy on Ghana Reports should be accurate to enable the making of corrective government policy for decisions based. It has to be noted that the principle of exception should be utilized where possible. Budgetary Control is not effective unless there is continuous flow of budget reports. These reports should be prepared at regular intervals (say monthly) to show comparison of actual performance with that budgeted. Such reports may be presented to heads of budget centers, showing favorable or unfavorable variances from budget figures. These heads of budget centers should explain these variances to the top management so that necessary corrective action may be taken (Arora, 2014).

Government policy maintains good budget system which should be integrated with the standard cost system. Where standard costing system is used it should be integrated with the budget program in both budget preparation and variance analysis. Unfavorable variances are mostly scrutinized which take the form of over expenditure or expenditure incurred on non-budgeted items in Akwa Ibom State, Nigeria (Okuju, 2016).

Government policy is the most effective way to manage a budget is to develop regular benchmarks to monitor the process continuously with government policy in Kenya. The budget needs to be reviewed every month to ensure it is in accordance with the company requirements. Government policy is in agreement with the continuous comparison of actual budgeted results is an effective way to manage a budget. In their study they noted that firm budget needs to be reviewed quarterly in order to achieve updated and consistence data on the firm's budget necessities (Kuria, 2013).

Government policies are established in the statement that budget performance reports are prepared regularly in the Kenyan public institution. Budget deviations are reported to the budget committee/management, the opinion that deviations from budget targets are frequently reported, expected and actual results are common while management takes corrective action where variances are reported. Policy statement on budget performance reports is prepared regularly in the institution this could be because regular preparation of reports in the institutions ensured that all the necessary information is captured thus enhanced firms (Katonei, 2015).

Government policy on the performance has reports which act as indicators of providing budget feedback which in the process enable the stakeholders to ensure that they are away of the budget approval process and are able to make regular adjustments where necessary. It agrees with the regular preparation of budget performance report in the institution and how should be done at regular intervals (say monthly) to show comparison of actual performance with that budgeted. The program activities are clearly indicated prior, supported the opinion that they discuss targets to be met with the team, stated that they have clear target results in the budget, programs and plans are the basis for allocating financial resources while are of the opinion that they identify high priority programs to include in the budget (Arora, 2017).

Government policy is the management issued policy statement held that the budget performance is prepared monthly in the organization, the budget committee receives and acts on budgets deviations reported to them, they also noted that deviations from budget targets are regularly reported to the budget committee, there is often variation of the results from the expected actual results and thus management was keen to assess measures to curb the variances that were reported. Concerning budget planning, the staffs who were issued with interview schedules said that undertakings of the program activities are clearly indicated, targets to be met by different teams are outlined clearly, budgets targets results are clearly indicated and programs and plans played a key role in allocating resources in the firms’ programs are included in the budget in the order of their importance (Kabiro, 2017).

Financial Accountability

Financial accountability measures are recognized as an important element in all quality management tools in Barcelona. Managers and supervisors directing the efforts of an organization or a group have a responsibility to know how, when, and where to institute a wide range of changes. These changes cannot be sensibly implemented without knowledge of the appropriate information upon which they are based (Orise, 2012).

Financial accountability is for a specific process should involve as many employees as possible to stimulate ideas and reinforce the notion that this is a team effort requiring buy-in from all involved in order to succeed Substantial benefits are realized by organizations implementing performance measurement programs in Valencia, Spain. These benefits are realized almost immediately through an improved understanding of processes by all employees. Furthermore, individuals get an opportunity to receive a broadened perspective of the organization's functions, rather than the more limited perspective (Aslani, 2017).

Financial accountability in Indonesian manufacturing companies sees a process and performance measurement not simple concerned with collecting data associated with a predefined performance goal or standard, usually synonymous with a budget. Accountability measurement is better thought of as an overall management system involving prevention and detection aimed at achieving conformance of the work product or service to customer's requirements. Additionally, it is concerned with process optimization through increased efficiency of the process or product (Asrofah, Zailani, & Fernando, 2010).

Financial accountability actions occur in a continuous cycle of options for expansion and improvement of the work process or product as better techniques are discovered and implemented. In the context of this study, performance measurement process will be looked at from the perspective of budgetary controls where it will be assessed within budgeted limits. This is premised on the fact that performance measurement is primarily managing outcome and one of its main purposes is to reduce or eliminate overall variation in the work product or process in the Jordanian Public Universities (Al-Majali, 2017).

Financial accountability goal is to arrive at sound decisions about actions affecting the product or process and its output which is what budgetary control seeks to achieve. Performance measures quantitatively tell us something important about accountability of products, services, and the processes that produce them. They are tools to help us understand, manage and improve what our organizations do in Nigeria (Alosani, Al-Dhaafri, & Yusoff, 2016).

Financial accountability in Johannesburg, South Africa, measures to know how well we are doing, if we are meeting our goals, if our customers are satisfied, if our processes are in statistical control, if and where improvements are necessary. They provide us with the information necessary to make intelligent decisions about what we do (Knipe, 2002).

Financial accountability is more often in Uganda, multidimensional units of measure are used to ensure financial accountability. These measures expressed as ratios of two or more fundamental units. These may be units like miles per gallon (a performance measure of fuel economy), number of accidents per million hours worked (a performance measure of the company’s safety program) or number of on-time vendor deliveries per total number of vendor deliveries. Performance measures expressed this way almost always convey more information than the single-dimensional or single-unit accountability measures (Maiingi, 2013).

Financial accountability in Ethiopia measures is expressed on effectiveness-a process characteristic indicating the degree to which the process output conforms to requirements; efficiency-a process characteristic indicating the degree to which the process produces the required output at minimum resource cost; quality- the degree to which a product or service consistently meets customer requirements and expectations; timeliness- measures whether a unit of work was done correctly and on time (Wanyama, 2013).

Financial accountability in Nakuru Municipality-Kenya is composed of a number and a unit of measure in expenditure and incomes. The number gives us a magnitude (how much) and the unit gives the number a meaning (what). Performance measures are always tied to a goal or an objective and can be represented by single dimensional units like hours, meters, nanoseconds, dollars, number of reports, number of errors, and number of CPR-certified employees and length of time to design hardware. They can show the variation in a process or deviation from design specifications. Single-dimensional units of measure usually represent very basic and fundamental measures of some process or product (Nyaoga, 2017).

Financial accountability is that criteria established to define what constitutes timeliness for a given unit of work. The criterion is based on customer requirements; productivity- the value added by the process divided by the value of the labor and capital consumed; safety- measures the overall financial accountability of the organization and the working environment of its employees. It is against this background the study aims to evaluate the effect of budgetary control practices on financial accountability of county government: A moderating role of government policy in Nyamira County government which has raised a lot of concern about financial accountability.

Statement of the Problem

The importance of budgetary control practices is to enable an organization run properly when budget formulation, budget approval and enactment, budget implementation, budget monitoring and evaluation as moderated by government budget policy as they improve financial accountability.

Financial accountability has not been instilled in most county governments in terms of achieving targets and objectives. In the recent past, a budget approval practice has enabled organizations to control overhead costs, administrative costs among others. However, Nyamira county government is not achieving the best quality of its financial accountability. This is evidenced by construction of Level five hospital gate was budgeted ksh. 700, 000 at cost where each wheelbarrow value at Ksh 150, 000as compared to market price of ksh 3000 in the year 2013/14. The budget of 200 million allocated in 2016/17 financial years did not complete road construction under ministry of infrastructure, urban and roads failed to be accounted in the year 2018/19 during audit reports. Therefore, there is lack of transparence and cost efficiency in Nyamira county government while stakeholder expectations are to perform better in achieving financial accountability, but the actual situation is that they are not accountable as expected (Onduso, 2019).

Mutungi (2017) investigated the effects of budgeting and budgetary control on financial performance of devolved government in Kenya. The study investigated budgeting and budgetary control, managerial performance and county regulation on financial performance of county government. The study did not examine budget formulation and enactment on financial accountability. Ojwangi (2016) examined the influence of budgetary controls on service delivery in County Government of Nakuru in Kenya. The study applied the influence of revenue maximization and performance adjustment on service delivery. The study failed to examine the effect of budget formulation on financial accountability which is an important when managing budgetary control in any county government. Thus, the study sought to assess the effect of budgetary control practices on financial accountability of county government with a moderating role of government policy.

Objectives of Study

The main objective was to assess the effect of budgetary control practices on financial accountability in Nyamira County government with a moderating role of government policy. The study was guided by the following specific objectives;

- To examine the effect of budget formulation on financial accountability in Nyamira County
- To determine the moderating role of government budget policy on the relationship between budgetary control practices and financial accountability in Nyamira county

The study tested the following research hypotheses;

- $H_0$1Budget formulation has no statistically significant effect on financial accountability in Nyamira County
- $H_0$2: Government budget policy has no statistically significant effect between budgetary control practices and financial accountability in Nyamira County.

LITERATURE REVIEW

Theoretical Review

Budget theory

The theory was started by classical theorist in public budgeting Henry and Hirst in 1987. It states that an effective budgetary control explains an organizations need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. Hence the theory of budgeting is a detector of variances between organizational objectives and performance. Budgets are considered to be the core component of an efficient control process and subsequently a vital part to the umbrella concept of an effective budgetary control. Theory in budgeting, like much of public administration, has been both descriptive and normative (Nyambura, 2014).

The theory assumes that the trends, sequences of events, and infer causes, paying attention to restricted variations as well as uniformities across budgets. Theory is based on normative where much attention is given to spending range of observations than descriptive theory and its proposed solutions may be based on values rather than observations. If the explanatory power of the descriptive theory is too strong, or if the advice of normative theory is not adopted by public officials or is adopted and abandoned because it does work, the gap between theory and budget approval practice may become inappropriately. The decision on how to distribute scarce financial resources is assumed to be but in practices may be effective and efficient manner with its fundamental role in all organizations. In most organizations, these controls would be nearly impractical without budgeting and budgetary control. Effective budget analysis and feedback answers budgetary challenges in organizations (Siyanbola, 2017).

This theory can be criticized by its definitions of budget as a plan quantified in monetary terms, prepared and ratified prior to a defined period of time, showing planned income to be generated or expenditure to be incurred during the period is not capital employed to achieve a given objective. From this meaning, the depict budget as tool aimed at making and directing short range plans; failed to explain budget as an instrument for communicating plans and objectives to various responsibility centers and a basic monitoring of performance (Sharma, 2012)

The theory is relevance to this study because, budget reveals the monetary implications of business plans, ascertaining the amount, quantity and timing of resource required in budget formulation. It enables to explain different execution of budgetary procedures. The establishing of short to medium-term objectives serves the need of availing estimates of future revenues and expenses, to provide short and long-term objectives for a harmonized management policy. It is yardsticks for management and task controls are provided by comparing actual results with budgeted plans and to take remedial actions if necessary.

Empirical review

Budget formulation and financial accountability

Dubus (2015) studied the effect of budget formulation on financial accountability of two non-profit performing arts organizations (theaters) to understand how the usage of budgets, such as for different complex organizations. The study collected secondary data from 34 firms for financial year 2009 to 2013 reports. The study used descriptive analysis. The study determined common liquidity ratio of working capital efficiency by use of performance index model and the efficiency index models. It was shown that liquidity efficiency had impact on the overall performance in tea factories, but the study fails to indicate the level of liquidity on financial performance. The study underscored the inherent use of budgets for planning.

Foster (2017) examined the extent, to which budget formulation; significantly predict financial performance in small businesses. The target population consisted of 77small business leaders in the Midwest. Churchill and Lewis's theory on the relative importance of selected management factors of small businesses through 5 stages of development formed the theoretical framework for this study. A convenience sampling technique was employed to select Midwest U.S. small business leaders identified through Survey Monkeys crowd sourcing pool resulted in 77 managers with useable responses. The study used Standard multiple linear regression to determine the extent to which budget planning, budget approval, and age of the business predicted the value of financial performance. The model as a whole was able to significantly predict financial performance. Budget formulation significantly predicted financial performance. Better planning using budgets may help leaders improve the financial health of their small businesses, potentially reducing business failures and job losses. Financially strong and healthy small businesses can create jobs and improve the economic health of local communities.

Isaac (2014) assessed the impact of budget formulation on the performance of financial institutions in Nigeria. It examined 56 financial institutions considered in developing budget formulation programmes. The study used census to determine the sample size. Descriptive statistics was used to analyze budgeting and planning programmes of Nigerian Banks. The finding indicated that appraise the impact of budgeting and planning on their effective performance. The findings revealed that budgetary and planning programs are restricted to few top management staff of Nigerian Banks, but indicated that budgeting and planning can be utilized as a major policy instrument to align commercial banking operations with the policy framework of regulatory bodies, particularly the Central Bank of Nigeria. It was also discovered that overtime budgeting and planning has impacted positively on effective performance of Nigerian banks. It is recommended that for greater improvements in overall operations and for maximum impact of budgetary provisions, financial institutions as a whole must function as a single system, in which all its constituent units are intimately inter-linked.

Kiambi (2018) sought to establish the relationship between the budget formulation and the performance of firms in Kenya to address identified gaps in the literature review. Data was collected from 96churches which were analyzed out of the 97targeted reporting a response rate of 99%. The study used a positivistic research design and descriptive design. The study further used statistical tests that include Cronbach alpha, descriptive statistics such as the mean, standard deviation, skewness, and kurtosis. Other analysis included correlational analysis while regression analysis was used to test the hypothesis. The study findings were that there was a statistically significant effect of budgeting planning on the performance of churches. The study recommends development of church policies and enhanced training of church leaders around these variables. The study further recommends that future research consider inclusion of external factors and attempt to establish whether membership financial accountability translates to revenue in Kenya.

Kiriria (2013) analyzed budget formulation on county financial accountability. Public Finance Management Act, 2013 sets out the rules of how 47 county governments can raise and spend money. The Public Finance Management Act, 2013 section 125 provides the procedure to be followed in the budget making process at the County level. The study isolated various literatures from other studies to arrive at the research gap. The study adopted descriptive research design. The study used linear regression to explain the effect of liquidity management and financial performance of the firm. The study adopted census sampling by use of research questionnaires to collected data. Pearson correlation matrix was used to establish the relationships by null hypothesis. He argues that as there must be an effective PFM system at the county level to ensure successful management of the public sector and the economy.

Research by World Bank (2012) assessed the effects of budget formulation on banks' financial accountability. The study was conducted in 13 Nigerian banks. Descriptive research design was used. The simple linear regression model was used to analyze quantitative data from closed ended questions. The standard level of 0.05 was used to test the level of significance. This was carried out randomly using regression equation to test hypothesis that it did not affect the company financial performance. The study found that guidelines and templates need to be developed to guide the formulation of county budgets. More so the World Bank advocate for country-wide chart of accounts for preparing, executing and reporting the budget. In addition to this, the counties would be expected to develop adequate PFM, Human resource and service delivery capacity.

Government policy and financial accountability

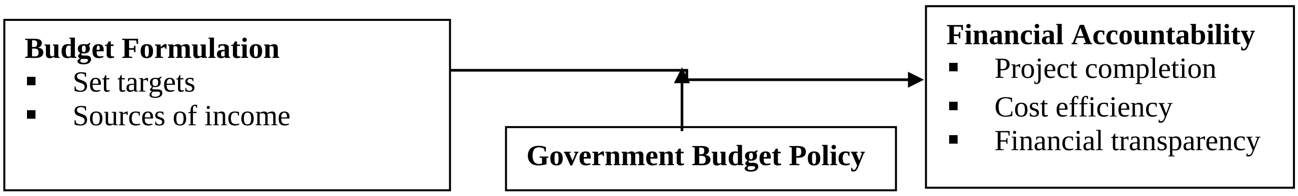
Financial accountability is a general measure of a firm's overall financial performance over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation, (Padilla, Staple Foote and Morganti, 2012). It is subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Mpiira et al, 2013).

Financial accountability was examined by Ayodele (2014) who noted that budget implementation and management affected financial accountability of firms. The study further concludes that financial performance has faced limitation due to delayed in offering the reports. The study further indicated that effectiveness of budget process enhances performance through generation of income from return on assets, savings and on loan extended to shareholders.

Jasm, (2010) studied the effect of government policy and financial performance of investment firms. The study used 23 firms. From correlation analysis it was shown that there is a relationship between budgeting and financial performance involves return on investment. The study further shows that financial health is a sign of financial accountability and efficiency.

Conceptual Framework

A conceptual framework is diagrammatical presentation of the study problem to demonstrate the relationship between variables as presented in figure 1.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher (2023)

Budget formulation is an independent variable which influences a change in financial accountability. Government budget policy is the moderating variable. This implies that a change in government policy can affect the relationship between budgetary control practices and financial accountability of county government. Financial accountability is dependent variables which are measured by the amount used in completeness of the project, Surplus and Comparability of financial plans, cost efficiency and financial transparency.

METHODOLOGY

This study adopted descriptive survey design. This enabled the researcher to describe the effect of budgetary control practices on financial accountability in Nyamira County government. The reason for choosing this approach was because the research aimed at finding out the respondent's views about budget approval practices (Orodho, 2005). Target population is the entire group of people, events or objects having common observable characteristics, (Mugenda and Mugenda 2003). The target population of this study was 190 accounting and finance county employees working in Nyamira county government.

For the purpose of this study, data was collected from Nyamira county government. Stratified random sampling technique was used to select the respondents who were given the questionnaire to fill. A sample size of 128 county employees was determined using Yamane formula (1969) as adopted by Israel (2012). The sample size was 184.

According to Kotheri (2014) a questionnaire is a carefully designed instrument for collecting data in accordance with the specification of the research questions. The questionnaire was used as the main research instrument in data collection. Descriptive statistics that were applied include frequency tables, mean and standard deviations. Correlation was used to investigate the significant effect of the relationship and Multi linear regression model was done in regression analysis to investigate the existence of the relationship between variables.

RESULTS AND FINDINGS

The researcher distributed 184 questionnaires and collected fully 145 filled and usable questionnaires. This presented 78.8% of the questionnaire response rate while 21.2% were noted collected either filled. Mugenda and Mugenda (2003) recommended that a response rate of above 70% was excellent for data analysis, thus, 78.8 % deemed adequate.

Table 1: Response rate

Filled and returned	145	78.8
Missing	39	21.2
Total	184	100

Source: Field data (2023)

Descriptive statistics

This study used descriptive statistics to analyze budgetary control practices by budget formulation practices in the county. Results were shown.

Budget formulation

The study determined budget formulation practice and its effects as presented in table 2.

Table 2: Budget formulation

	N	Minimum	Maximum	Mean	Std. Deviation
We set targets in our budget to control income and expenditure	145	1.00	5.00	4.4552	.84145
The county set target as per established priorities in numerical terms	145	1.00	5.00	4.7881	0.9181
The county set targets in assigning responsibilities and allocate resources as per the budget made	145	1.00	5.00	3.1931	1.30329
Sources of income provides directions on spending	145	1.00	5.00	2.8966	1.22318
Budget planning identifies sources of income	145	1.00	5.00	3.1931	1.0019
The county has sources of income used for current and future spending	145	1.00	5.00	3.1655	1.30178
Average Mean				3.61511	1.4089
Valid N (listwise)	145				

Source: Field data (2023)

The study showed that we set targets in our budget to control income and expenditure had a mean of 4.4552 with standard deviation of .84145, The county set target as per established priorities in numerical terms with mean of 4.7881 and standard deviation of 0.9181, Budget planning identifies sources of income had a mean of 3.1931 with standard deviation of 1.30329, The county has sources of income used for current and future spending with mean of 3.1655 and standard deviation 1.30178, Sources of income provides directions on spending made had a mean of 2.8966 with standard deviation of 1.22318. The average mean of 3.615 implied that respondents were in agreement that budget formulation practices have an influence on financial accountability of the county.

Government budget policy

The study sought to establish aspect of government budget policy on the relationship between budgetary control practices and financial accountability as shown in table 3.

Table 3: Government budget policy

	N	Mini	Max	Mean	Std. Dev
Adopting best practice policies is good to the county	145	1.00	5.00	4.7881	.6615
Structurally balanced budget is achieved appropriately	145	1.00	5.00	2.781	1.0181
Financial policies provide step by step approaches on allocation of resources	145	1.00	5.00	4.7322	.3291
County treasury is enabled to implement fiscal responsibility regarding recurrent expenditure management	145	1.00	5.00	3.8095	1.09883
Timeline provide definition of budget approval and balance of funds	145	1.00	5.00	3.9231	1.3021
Average mean				4.00678	.881926
Valid N (listwise)	145				

Source: Field data (2023)

The study showed that Adopting best practice policies is good to the county had mean of 4.7881 with standard deviation of.6615, Financial policies provides step by step approaches on allocation of resources had mean of 4.7322 with standard deviation of.3291.

Timelines provides well definitions of budget approvals and balance of fund had mean of 3.9231 with standard deviation of 1.3021, county treasury is enabled to implement fiscal responsibility regarding recurrent expenditure management had mean of 3.8095 with standard deviation of 1.09883 and structurally balanced budget is achieved appropriately had mean of 2.781 with standard deviation of 1.0181. The average mean 4.00678 implied that majority of the respondents were in agreement that financial accountability could be influenced by government budget policy and budget control practices in the county. The aspect of government budget policy has the relationship between budgetary control practices and financial accountability.

Financial accountability

The study determined financial accountability as presented in table 4.

Table 4: Financial accountability

	N	Min	Max	Mean	Std. Dev
Completion of projects is improving yearly	145	1.00	5.00	3.7103	1.22993
Completion of project has been increasing yearly	145	1.00	5.00	4.8966	1.1884
The infrastructure facilities is effective in completion of projects	145	1.00	5.00	4.1931	1.10322
Cost efficiency in accrual accounting is accurate to measure financial position of the county.	145	1.00	5.00	2.8966	1.22318
There is transparency in the whole budgeting approach to improve scrutiny of financial resources.	145	1.00	5.00	4.192	1.0321
Financial transparency reduces tolerance of corruption in the county	145	1.00	5.00	3.1655	1.30178
Financial transparency enables participation, evaluation and reporting of the right feedback at the best practices.	145	2.00	5.00	3.6276	1.19574
Average mean				3.8116	1.18205

Source: Field data (2023)

The results showed that completion of project has been increasing every year had mean of 4.8966 with standard deviation 1.1884, the infrastructure facilities is effective in completion of projects had mean of 4.1931 with standard deviation of 1.10322, There is transparency in the whole budgeting approach to improve scrutiny of financial resources had mean of 4.192 and standard deviation 1.0321, Financial transparency enables participation, evaluation and reporting of the right feedback at the best practices had mean of 3.6276 standard deviation 1.19574 Financial transparency reduces tolerance of corruption in the county had mean of 3.1655 standard deviation 1.30178. The average mean 3.8116 implied that majority of the respondents accepted that financial accountability could be influenced by budgetary control practices in the county.

Inferential statistics

Correlations

The study found that budget formulation had a positive strong correlation with significant effect on financial accountability as depicted by r .702** p .000.

Table 5: Correlations

		Budget formulation	Financial accountability
Budget formulation	Pearson Correlation	1	.702**
	Sig. (2-tailed)		.000
	N	145	145
Government budget policy	Pearson Correlation	.201	.501**
	Sig. (2-tailed)	.038	.002
	N	145	145
Financial accountability	Pearson Correlation	.702**	1
	Sig. (2-tailed)	.000	
	N	145	145

Source: Field data (2023)

Budget formulation had a strong positively correlation with financial accountability r=.702, p=0.000. Government budget policy had a moderate positive significant effect on financial accountability shown by r .501** p .002.

Regression

The study conducted regression analysis to determine existence of the relationship between variables. The model summary represents the change in budgetary practices and financial accountability.

Table 6: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912	.831	.013	1.22220

a. Predictors: (Constant), Budget formulation

Source: Field data (2023)

The r=.912 indicates a strong relationship between budgetary control practices and financial accountability. The study indicated r square .831 implied that a change in budgetary control practices can results to financial accountability up to 83.1% in Nyamira county and the remaining can be explained by other variables.

The ANOVA was used to test the model fitness. The results indicated that F=14.844, (p.000<0.05) which showed that the model was fit to predict financial accountability.

Table 7: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	88.707	4	22.177	14.844	.000[b]
	Residual	209.127	140	1.494		
	Total	297.834	144			

a. Dependent Variable: Financial Accountability
b. Predictors: (Constant), Budget formulation,
Source: Field data (2023)

Regression coefficients was analyzed to determine variation of independent variables to dependent variables using unstandardized coefficients and standardized as shown in table 8.

Table 8: Coefficients

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.147	1.023		3.077	.003
	Budget formulation	.296	.124	.134	2.368	.006

a. Dependent Variable: Financial Accountability
Source: Field data (2023)

Y=3.147+.296X_1+ع
The study showed that other variable being constant budget formulation can cause a variation of financial accountability by 29.6% and was statistically significant at .006.

Moderating role of government policy
To evaluate the moderating role of government budget policy, the study conducted the following regressions analysis.

The results provided a summary of regression which indicated a strong positive relationship between government budget policy on budgetary control practices and financial accountability with R .881. Coefficient of determination (R square) which was .776 indicated that Government budget Policy could be explained by a variation of 77.6% on the financial accountability. This means that the remaining percentage is due to a variation of other variables not with Government budget Policy.

Table 9: Model summary of the moderating variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881[a]	.776	.354	1.3420

Predictors: (Constant), Government budget Policy, Budget formulation
Source: (Field data 2023)

Analysis of variance (ANOVA) was also regressed using moderating variables (government budget policy) to test goodness of fit as presented in table 10.

Table 10: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	130.321	5	26.06	12.410	.002[b]
1	Residual	416.310	139	2.100		
	Total	546.631	144			

Dependent Variable: Financial Accountability
b. Predictors: (Constant), Government budget Policy, Budget formulation

Source: (Field data 2023)

Table 10 provided the result in which goodness of fit for regression model was tested. The calculated F - value was 12.410 with a significant value of .002. Since the p value .000< 5%, the result was significant at.05, thus the model was statistically significant and fit to predict the variations between budgetary control practices and financial accountability. Table 11 showed regression coefficients used to analyze moderating variable.

Table 11: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.9081	1.251		2.325	.012
	Budget formulation	.696	.144	.188	4.833	.001
	Government budget policy	.227	.112	.006	2.027	.078

Dependent Variable: Financial Accountability
Source: (Field data 2023)

The regression coefficients revealed that holding budgetary control practices indicators (Government budget Policy, Budget formulation) constant with government budget policy as the moderator would improve financial accountability by 22.7% which was statistically insignificant at 5%.

The unit increase in Budget formulation would result to a decrease in financial accountability by 69.6%%. The unit increase in government budget policy would result to an increase of financial accountability by 22.7% but not statistically significant at p- .78 >.05.

Holding other variable constant at zero, financial accountability could be constant to 2.936 which was statistically significant (.000) at 5% and thus it was significantly related to financial accountability. This, concurred with Kitamuru, (2021) who found out that government policy has an impact on the financial accountability.

Moderating variable equation was derived as follows

$Y = (2.9081 + .696X_1)\ Gs + e$

G-Government Budget Policy**,** Y- financial accountability, X_1 is variables and e- is the Error term.

Hypothesis testing

The study tested hypotheses based on the findings of the tables 11. The summary was presented as follows;

$H0_1$: Budget formulation has no statistically significant effect on financial accountability of Nyamira county government in Kenya;

The study identified that, Budget formulation had a positive and significant effect on financial accountability of Nyamira county government in Kenya. B= .696, t= 4.833, P=.001< 0.05. This meant that, if Budget formulation change by a single unit, financial accountability of Nyamira county government in Kenya varied directly and substantially. Thus, the null hypothesis was rejected

$H0_2$: Government budget policy has no statistically significant effect between budgetary control practices and financial accountability in Nyamira County.

Finally, it was noted that Government budget policy had direct and insignificant on financial accountability of Nyamira county government in Kenya. Thus, change in government budget policy led to change in financial accountability of Nyamira county government in Kenya in insignificantly B= .227, t=2.027, P = .078>0.05. Hence, the null hypothesis was accepted.

Summary of Hypothesis testing

The regression coefficient was used to test the null hypothesis as presented in table 12. Testing null hypothesis was accepted if the p value is more than .05 while it was rejected when the p value <0.05, hence the hypothesis was summarized as shown in table 12.

Table 12: Summary of testing hypothesis

	Hypotheses	Criteria	Decision
$H0_1$	Budget formulation has no significant effect on financial accountability	P= .001<0.05.	The null hypothesis is rejected
$H0_5$:	Government budget policy has no significant effect on the relationship between budgetary control practices and financial accountability	P=.078>.05	The null hypothesis Accepted

Source: Field data (2023)

CONCLUSIONS AND RECOMMENDATION

The study determined budget formulation practice and it showed that we set targets in our budget to control income and expenditure while the county set target as per established priorities in numerical terms and the sources of income provides directions on spending made.

The study sought to establish aspect of government budget policy on the relationship between budgetary control practices and financial accountability. The study showed that adopting best practice policies is good to the county; financial policies provide step by step approaches on allocation of resources. Timelines provides well definitions of budget approvals and balance of fund and structurally balanced budget is achieved appropriately.

This study analyzed budgetary control practices by budget formulation practices in the county. The study determined budget formulation practice and its effects on financial accountability. The study recommends that we should set targets in our budget to control income and expenditure. The study recommends that a source of income provides directions on spending made can be improved better.

The study sought to establish aspect of government budget policy on the relationship between budgetary control practices and financial accountability as shown. The study recommends that timelines should provide well definitions of budget approvals and balance of fund and county treasury is enabled to implement fiscal responsibility regarding recurrent expenditure management and structurally balanced budget is achieved appropriately.

Suggestion of further research

This study analyzed budgetary control practices on financial accountability of county government in Kenya; hence similar study can be conducted in other organizations with variables in accounting and finance.

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