

**FINANCIAL MONITORING PRACTICES AND PUBLIC FINANCIAL  
MANAGEMENT COMPLIANCE OF NAIROBI CITY COUNTY GOVERNMENT,  
KENYA**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,  
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## **DECLARATION**

I declare that this project is my original work and has not been presented for a degree in any other university or for any other award. No part of this project may be produced without prior authority of the author and/or Kenyatta University

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## **DECLARATION BY THE SUPERVISOR**

I confirm that this project was undertaken by the student under my guidance as the university appointed supervisor

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## **DEDICATION**

I dedicate this project to the phenomenal family in my life; your support has come in ways too invaluable to measure and too immense to ignore.

To my parents, my father Yunis Guliye Mohamud and my mother Duba Ibrahim Korrow your sacrifices built the foundation I stand on today. I would not be here without your love, strength, and relentless faith in me. Thank you for everything.

To my spouse, Fartun Abbey Keynan thank you for making life not just livable, but joyful, meaningful, and full of laughter. You are my daily proof that love multiplies.

To my children Mumtaz, Abdiaziz, Manal, Abdisalam, Abdishakur, Abdimalik and Abdihafidh this project is more than academic work. It is a tribute to the profound impact of family, love, and leadership. It stands as evidence that behind every determined student is a support of phenomenal family members.

To other family members, friends and colleague students for resolute support, encouragement and prayers that have solidified my strength spanning this academic voyage. Their conviction in my capabilities has continually motivated me to strive for excellence. I also dedicate this work to all researchers and scholars who seek to make a meaningful impact in their respective fields.

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## TABLE OF CONTENTS

<b>DECLARATION</b> .....	ii
<b>DEDICATION</b> .....	iii
<b>ACKNOWLEDGEMENT</b> .....	iv
<b>TABLE OF CONTENTS</b> .....	v
<b>LIST OF TABLES</b> .....	viii
<b>LIST OF FIGURES</b> .....	ix
<b>ABBREVIATIONS AND ACRONYMS</b> .....	x
<b>OPERATIONAL DEFINITION OF TERMS</b> .....	xi
<b>ABSTRACT</b> .....	xiii
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1 Background to the Study.....	1
1.1.1 Public Financial Management Compliance .....	3
1.1.2 Financial Monitoring Practices.....	4
1.1.3 Nairobi City County Government, Kenya.....	6
1.2 Statement of the Problem.....	8
1.3 Objectives of the Study .....	9
1.3.1 General Objective .....	9
1.3.2 Specific Objectives .....	9
1.4 Research Questions .....	10
1.5 Significance of the Study .....	10
1.6 Scope of the Study .....	11
1.7 Limitations of the Study.....	11
1.8 Organization of the Study .....	12
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	13
2.1 Introduction.....	13
2.2 Theoretical Review .....	13
2.2.1 Institutional Theory .....	13
2.2.2 Agency Theory .....	15
2.2.3 Public Choice Theory .....	16
2.3 Empirical Review.....	18

2.3.1	Budget Implementation and Public Financial Management Compliance .....	18
2.3.2	Financial Reporting and Public Financial Management Compliance .....	19
2.3.3	Audit and Public Financial Management Compliance .....	20
2.4	Summary of Literature Reviewed and Research Gaps .....	21
2.5	Conceptual Framework .....	24
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>		<b>25</b>
3.1	Introduction.....	25
3.2	Research Design.....	25
3.3	Target Population.....	25
3.4	Sampling Technique and Sample Size.....	26
3.5	Data Collection Instrument .....	27
3.6	Pilot Study.....	27
3.6.1	Validity of Research Instrument.....	28
3.6.2	Reliability of Research Instrument .....	28
3.7	Data Collection Procedure .....	29
3.8	Data Analysis and Presentation .....	29
3.9	Diagnostic Tests.....	30
3.9.1	Test for Normality .....	30
3.9.2	Test for Homoscedasticity.....	30
3.9.3	Multicollinearity .....	31
3.8	Ethical Considerations .....	31
<b>CHAPTER FOUR: RESEARCH FINDING AND DISCUSSIONS .....</b>		<b>33</b>
4.1	Introduction.....	33
4.2	Response Rate .....	33
4.3	Respondents' Background Information .....	33
4.3.1	Gender of the Respondents.....	34
4.3.2	Age of the Respondents .....	34
4.3.3	Education Level of the Respondents .....	35
4.3.4	Work Experience of the Respondents .....	35
4.4	Descriptive Statistics Results.....	36
4.4.1	Budget Implementation .....	36

4.4.2	Financial Reporting .....	38
4.4.3	Audit .....	39
4.4.4	Public Financial Management Compliance .....	41
4.5	Diagnostic Results .....	42
4.5.1	Normality Test.....	42
4.5.2	Homoscedasticity Test.....	42
4.5.3	Multicollinearity Test .....	43
4.6	Inferential Statistics Results.....	43
4.6.1	Correlation Analysis .....	43
4.6.2	Multiple Regression Analysis.....	44
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>		<b>48</b>
5.1	Introduction.....	48
5.2	Summary of Findings.....	48
5.2.1	Budget Implementation .....	48
5.2.2	Financial Reporting .....	49
5.2.3	Audit .....	49
5.3	Conclusions of the Study .....	49
5.4	Recommendations of the Study .....	50
5.5	Suggestions for Further Study .....	52
<b>REFERENCES.....</b>		<b>52</b>
<b>APPENDICES .....</b>		<b>57</b>
Appendix I: Letter of Introduction .....		57
Appendix II: Questionnaire.....		58

## LIST OF TABLES

Table 2.1: Summary of Literature Reviewed and Research Gaps .....	21
Table 3.1 Target Population.....	25
Table 3.2 Sample Size.....	27
Table 3.3: Reliability Results.....	28
Table 4.1: Response Rate.....	33
Table 4.2: Age of the Respondents .....	34
Table 4.3: Work Experience of the Respondents.....	35
Table 4.4: Budget Implementation .....	37
Table 4.5: Financial Reporting .....	38
Table 4.6: Audit .....	39
Table 4.7: Public Financial Management Compliance .....	41
Table 4.8: Normality Test.....	42
Table 4.9: Homoscedasticity Test.....	42
Table 4.10: Multicollinearity Test .....	43
Table 4.11: Correlation Analysis .....	43
Table 4.12: Model Summary .....	44
Table 4.13: Analysis of Variance.....	45
Table 4.14: Coefficients.....	45

## **LIST OF FIGURES**

Figure 2.1: Conceptual Framework .....	24
Figure 4.1: Gender of the Respondents.....	34
Figure 4.2: Education Level of the Respondents .....	35

## **ABBREVIATIONS AND ACRONYMS**

<b>FRBM</b>	Fiscal Responsibility and Budget Management
<b>IBM</b>	International Business Machines Corporation
<b>ICT</b>	Information Communication and Technology
<b>IFMIS</b>	Integrated Financial Management Information Systems
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>NACOSTI</b>	National Commission for Social Sciences
<b>PAC</b>	Public Accounts Committee
<b>PFM</b>	Public Financial Management
<b>SOEs</b>	State-Owned Enterprises
<b>SPSS</b>	Statistical Package for Social Sciences

## OPERATIONAL DEFINITION OF TERMS

<b>Financial monitoring practice</b>	Structured oversight and appraisal of financial operations to ensure compliance with established standards and regulations. Budget implementation, financial reporting, audit and integrated financial management information system was its indicators in this review.
<b>Public financial management compliance</b>	Refers to the alignment with governing statutes, accepted best practices and procedures governing public funds' management in Nairobi City County. It was measured by accountability, transparency and effective use of financial resources
<b>Budget implementation</b>	Process of executing and managing the financial plan established by an organization or government. It was measured by Allocation of resources, monitoring expenditure and financial activity alignment.
<b>Financial reporting</b>	Preparation of financial disclosures for stakeholder insight. Its measures included regulatory compliance, risk management and stakeholder confidence
<b>Audit</b>	The systematic examination and evaluation of financial records, processes, or systems to ensure accuracy, compliance with established standards, and the effectiveness of internal controls. Audit was indicated by

financial integrity, strengthened governance and capacity building

**Integrated financial management information system** Structured mechanism for organization's financial management efficiency and effectiveness by integrating several financial processes and providing comprehensive data for decision-making. Indicators of IFMS included: Process standardization, strengthen internal control and facilitation of external audit.

## ABSTRACT

The adherence to Public Financial Management regulations is vital for guaranteeing accountability, transparency and public resources efficient use. However, Nairobi City County faces persistent challenges in implementing effective PFM practices, as evidenced by low budget utilization rates, discrepancies in financial reporting, misappropriation of funds, and non-compliance with procurement regulations outlined in Auditor General's disclosures. The study aimed to assess how these monitoring practices impact the overall compliance with PFM regulations, particularly in terms of improving accountability, transparency, and the effective allocation of resources. The study explored three key financial monitoring practices; budget implementation, financial reporting and audits and their impacts on PFM compliance. Theories anchoring the research included agency, institutional and public choice theories. Descriptive research design was adopted, where 76 employees in finance and accounting departments of Nairobi City County formed the target populace. Through stratified sampling, 52 sample size was arrived at. Primary data was amassed by a questionnaire subjected to content validity and Cronbach-Alpha for reliability testing and subjected to diagnostic tests of normality, multicollinearity and homoscedasticity test. Data collected was subjected to descriptive techniques (mean, median & standard deviation) and inferential statistics (multiple regression). Findings were organized and depicted clearly, using tables and charts. Ethical considerations were prioritized and observed at every step starting with the obtainment of permits from both NACOSTI and Kenyatta University. The research findings were expected to offer crucial perspectives into the current state of PFM compliance in Nairobi City County and offer recommendations for enhancing financial monitoring practices to enhance PFM in the county. The study found that budget implementation, financial reporting and audit significantly positively affected public financial management compliance of the Nairobi City County government. A significant advantage is concluded when the County invests in better budgetary practices such offering training to financial staff, improvement on reporting systems and making the procurement process transparent. The manner in which the County gives its financial information to the citizens is critical in complying with PFM practices. Audit also strongly correlates with compliance of financial management of the County which ensures that public finances are managed with greater accountability and transparency. The review recommends investment in training the county's finance staff to enable them acquire the required skills and knowledge. The County should leverage technology through digital platforms to simplify the collection of data and the process of reporting its financial information with accuracy and efficiency. The County is also recommended to strengthen the process of documenting its financial transactions through improvement on IFMIS implementation to ensure recording of each transaction in real time and easy access during audit.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Adherence to public financial management (PFM) regulations is crucial for several reasons, each contributing to the overall effectiveness, transparency, and accountability of government operations (Nakyeyune, Tauringana, Ntayi & Nkundabanyanga, 2021). According to Libala (2023), compliance with PFM regulations fosters public trust in government institutions, augments financial reports' accuracy and accessibility, allowing stakeholders to understand how public funds are being utilized and help governments prioritize spending based on strategic objectives and community needs, ensuring that resources are allocated effectively. Therefore, the governments can alleviate misallocation and waste of public resources risks by following established guidelines, leading to more efficient use of taxpayer money.

PFM compliance in devolved governments globally reflects a diverse landscape shaped by varying degrees of decentralization, governance structures, and economic contexts (Fedelino & Smoke, 2022). Rao (2023) observe that India has a strong legal framework for PFM, including the Constitution of India which establishes fundamental financial governance principles, the Fiscal Responsibility and Budget Management (FRBM) Act that promotes fiscal discipline and the Public Accounts Committee (PAC) which Oversees government spending and accountability. Despite these frameworks, challenges remain in terms of enforcement and adherence to established norms.

Gorgon, Raczkowski and Kraft (2019) observe that Germany's public financial management (PFM) system is robust, featuring a strong legal framework, institutional structures, and practices that promote transparency, accountability, and efficiency in public fund management.

Heinemann, Janeba, Schröder and Streif (2022) observe that Germany's budgetary process is structured to emphasize planning, implementation, and oversight. The federal budget, outlining government expenditures and revenue, requires approval from the Bundestag, ensuring democratic scrutiny of budgetary decisions. The debt brake (Schuldenbremse) in the Basic Law enhances fiscal responsibility by limiting new debt accumulation, promoting sustainable financial management and long-term economic stability.

In recent years, several African countries have made significant strides in improving their PFM systems, while others continue to face challenges that hinder effective financial management. Ruhumuriza (2021) observe that Rwanda has been recognized for its robust PFM reforms, which have fueled the country's expedited economic growth. According to Nwaobia, Ogundajo and Theogene (2023), the Rwandan government has implemented a comprehensive budgeting system that emphasizes performance-based budgeting, enhancing culpability and public resources optimization. Additionally, Rwanda's commitment to transparency is evident in its regular publication of budgetary information and financial reports, which allows citizens to hold the government accountable.

Muzividzi (2022) observe that Zimbabwe has struggled with compliance in its PFM practices, particularly in the wake of economic instability and hyperinflation due to the lack of a transparent budgeting process and inadequate financial controls which have led to mismanagement of public funds and corruption. According to Gwiza and Jarbandhan (2022), efforts to reform the PFM system have been hampered by political challenges and a lack of institutional capacity, resulting in ongoing fiscal deficits and a loss of public trust in government institutions. Therefore, PFM compliance in Zimbabwe is a multifaceted issue that encompasses various aspects of governance, accountability, and fiscal discipline.

Ewang (2019) observe that the Kenyan government has strengthened its Public Finance Management (PFM) framework through the PFM Act of 2012, oriented toward fostering clarity, responsibility and public resources prudent use. This legislation establishes a legal and institutional framework to ensure prudent management of public funds and accurate financial reporting. According to Ekiru, Chelogoi and Kitur (2024), a key objective of the Act is to improve transparency by requiring the publication of budgetary information and financial statements, allowing citizens and stakeholders to understand public fund allocation and spending. The Act also emphasizes accountability by defining roles for government entities involved in the budget process, which helps reduce mismanagement and corruption. Additionally, it introduces measures to streamline budget preparation and execution, ensuring timely disbursement of funds for public projects and services, thereby enhancing the efficiency of government programs.

### **1.1.1 Public Financial Management Compliance**

The concept of compliance within PFM is a multifaceted and vital aspect that encompasses adherence to a wide array of laws, regulations, standards, and policies governing the management and administration of public funds (Guthrie, Olson & Humphrey, 2020). Pilcher and Dean (2023) observe that compliance ensures that public entities operate within the legal frameworks established by national and local governments, as well as international standards where applicable. This includes adherence to budgetary laws, procurement regulations, financial reporting standards, and auditing requirements. Therefore, public institutions can maintain a structured approach to financial management that minimizes the risk of misappropriation, fraud, and corruption by following these guidelines.

Schick (2021) highlight the importance of robust institutional frameworks, including legal structures, regulatory bodies, and audit mechanisms, in promoting compliance. Strong

institutions can deter corruption and mismanagement, thereby enhancing the integrity of public financial systems. Fozzard (2023) indicates that political will and leadership play a critical role in PFM compliance. Governments that foreground openness and accountability are more likely to implement effective PFM systems suggesting that higher levels of public engagement and education can lead to greater demand for accountability and compliance in PFM.

Gupta (2020) suggest that higher levels of economic development and education correlate with better compliance outcomes. Societies with greater public awareness and civic engagement are more likely to hold governments' accountable, thereby promoting adherence to financial management standards. Bertot (2022) highlights how open data initiatives can empower citizens to monitor government spending, thereby increasing accountability. In developing a framework for Public Financial management, PEFA (2016), elucidates 7 key pillars that form its framework. Public finance transparency, predictability & control in budget execution (effective use of resources) and external scrutiny through audits and financial report, explaining accountability, form part of these pillars. Therefore, PFM compliance was measured by accountability, transparency and effective use of financial resources as advocated by PEFA (2016).

### **1.1.2 Financial Monitoring Practices**

These are critical for organizations, businesses, and individuals alike, as they provide a framework for assessing financial health, ensuring compliance, and making informed decisions (Soobaroyen & Vinesh, 2019). Levytska, Pershko and Kuchеровskii (2022) observe that financial monitoring practices enhance accountability and transparency, ensure compliance with legal frameworks, improve financial performance, support strategic decision-making, strengthen risk management, and promote stakeholder engagement. Therefore, public entities can not only safeguard public resources but also enhance their overall effectiveness and responsiveness to the

needs of the communities they serve through investing in financial monitoring systems. The financial practices adopted for this study included; budget implementation, financial reporting, audit and integrated financial management information system.

Dollery and Graves (2019) observe that budget implementation is vital in the broader PFM framework by guaranteeing optimized financial resources' allocation and transparent utilization in accordance with established standards. Holynskyy (2022) observe that adhering to budget execution standards fosters transparency, which is essential for building public trust in government financial management because citizens are more likely to support government initiatives when they see that funds are being used responsibly. Therefore, proper execution of the budget provides a clear trail for audits and oversight mechanisms, enabling external and internal auditors to assess compliance with financial regulations and standards. Budget implementation was measured by resource allocation, monitoring expenditure and financial activity alignment as advocated by Kanda (2023).

Financial reporting ensures that public entities comply with established accounting standards and regulations, such as International Public Sector Accounting Standards (IPSAS) or national accounting frameworks which are essential for maintaining the integrity of public financial management (Babayanju, Animasaun & Sanyaolu, 2017). Ball (2021) observe that regular financial reporting helps identify potential financial risks and vulnerabilities within public entities empowering management to adopt forward-looking strategies that curb risks and uphold fiscal resilience. Therefore, in times of financial distress or economic downturns, accurate financial reporting provides essential information that aids in crisis management and recovery planning. Deorri and Poda (2023) in examining public financial reporting practices on accountability elucidated budget practices, staff competencies, regulations, IFMIS and financial

statements as measures of financial reporting practices. In this breadth, this review indicated financial reporting through regulatory compliance, risk management and stakeholder confidence.

Maclean (2021) observe that auditing holds public officials and organizations accountable to their financial decisions and actions which fosters a culture of responsibility among public servants, anchoring decision-making in principles that advance the common good. According to Ekiru, Chelogoi and Kitur (2024), audits contribute to transparency in public financial management by making financial information accessible and understandable to stakeholders, including citizens, government officials, and oversight bodies. Therefore, transparent financial reporting helps in building government institutions' trust and assurance. Chiuri (2023) in evaluating internal audit practices relationship with Nairobi City County Government financial performance, measured internal audit by financial analysis tools, auditors' professional competence, audit standards compliance and staff independence. From these indicators of financial integrity, strengthened governance and capacity building was employed.

### **1.1.3 Nairobi City County Government, Kenya**

Nairobi City County is an ideal case study for examining financial monitoring practices and public financial management (PFM) compliance due to its strategic role as Kenya's capital city and economic hub. Nairobi contributes significantly to the country's GDP, and its financial decisions and governance structures have far-reaching impacts on both the national and county levels. Given the city's central role in Kenya's development, the effectiveness of its public finance management system is crucial for the overall economic stability of the nation. The significance of Nairobi County in shaping national policies on public finance management further solidifies its importance as a focal point for studying financial monitoring practices and their impact on compliance.

Despite its importance, Nairobi faces several challenges in managing public finances effectively, which are indicative of broader issues within Kenya's devolved governance system. Issues such as mismanagement of public funds, irregularities in budget execution, and difficulties in adhering to financial reporting standards have been consistently highlighted in reports from the Auditor General. These challenges, alongside instances of non-compliance with audit recommendations, underscore the necessity of investigating how financial monitoring practices can address gaps in accountability, transparency, and resource utilization. By focusing on Nairobi County, the study contributed to understanding how local governments can improve their financial management systems and ensure greater compliance with public finance regulations.

The adoption of the Integrated Financial Management Information System (IFMIS) by Nairobi County further supports its selection as a case study. IFMIS has been implemented across various government entities to improve financial oversight, budget monitoring, and reporting. However, its implementation has not been without challenges. In Nairobi, issues related to system inefficiencies, inadequate training, and technical limitations have been noted, complicating the effectiveness of the tool. Studying Nairobi's experience with IFMIS would offer invaluable comprehensions into practical challenges of using such systems in a devolved government context. Moreover, Nairobi's urban dynamics, such as high population density, rapid urbanization, and socio-economic disparities, introduce additional complexities in financial management, making it a unique setting in exploring this relationship.

Nairobi's governance structure and its position as a benchmark for other counties in Kenya further make it a critical case study for this research. As the most populous and diverse county, the financial management practices in Nairobi often set the tone for other counties to follow. The lessons drawn from studying Nairobi's financial monitoring systems and PFM compliance can

serve as a model or a point of comparison for other counties, particularly those in urban settings with similar governance and financial management challenges. In this sense, Nairobi provides an invaluable opportunity to examine both the successes and the challenges faced by county governments in achieving effective financial management and accountability.

## **1.2 Statement of the Problem**

PFM implementation in Kenya's Nairobi City County, has raised significant concerns about public service delivery efficiency. Reports indicate low budget utilization rates, sometimes below 70%, leading to underfunded projects. There is a notable gap between planned and actual expenditures, with some departments exceeding budgets by over 20% while others are underfunded. Audit reports highlight issues like fund misappropriation, inadequate documentation, and non-compliance with procurement regulations, with over 50% of transactions failing to meet financial management guidelines. Additionally, more than 60% of audit recommendations remain unaddressed, indicating a lack of accountability. Outdated and unintegrated financial management systems hinder accurate tracking of expenditures and revenues, resulting in discrepancies in financial reporting. Efforts to digitize these processes have been slow and faced challenges, leaving many departments reliant on error-prone manual methods (Nairobi City County report, 2024). Although the county has established budgetary frameworks and receives regular audit feedback, poor financial monitoring, evident in weak expenditure tracking, delayed digitization and low responsiveness to audit recommendations, continues to impair public financial management. This study therefore investigates how nature and effectiveness of financial monitoring systems influence efficiency in PFM processes.

Various studies have been undertaken to ascertain financial monitoring practices impacts on PFM compliance; Mutai et al. (2017) examined PFM impacts on Kericho County's performance,

finding that involvement from the Auditor General, Controller of the Budget, and National Treasury aids in monitoring resource use for optimal performance, but noted a contextual gap. Nokisho and Ndungu (2020) examined performance appraisal assessments in Laikipia County, revealing that public finance procurement practices directly affect county performance, indicating that improvements could enhance outcomes, yet also identified a contextual gap. Mong'are and Atheru (2023) investigated public financial management practices in selected County Governments, showing that budget implementation and regular reviews improve compliance and performance, but pointed out a conceptual gap. Therefore, this review endeavored to ascertain financial monitoring practices impacts on Kenya's Nairobi County PFM compliance.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

This study generally endeavored to investigate the effect of financial monitoring practices on Public Financial Management (PFM) compliance of Nairobi City County, Kenya

#### **1.3.2 Specific Objectives**

- i. To ascertain the effect of budget implementation on public financial management compliance of Nairobi City County, Kenya
- ii. To establish the effect of financial reporting on Public Financial Management (PFM) compliance of Nairobi City County, Kenya
- iii. To determine the effect of audit on Public Financial Management (PFM) compliance of Nairobi City County, Kenya

#### **1.4 Research Questions**

- i. Does budget implementation affect Public Financial Management (PFM) compliance of Nairobi City County, Kenya?
- ii. Does financial reporting affect Public Financial Management (PFM) compliance of Nairobi City County, Kenya?
- iii. In what ways does audit affect Public Financial Management (PFM) compliance of Nairobi City County, Kenya?

#### **1.5 Significance of the Study**

This review enriches academic literature on PFM, particularly in Kenyan counties. It provided an in-depth analysis of financial monitoring practices and compliance mechanisms, providing foundation for upcoming studies. Scholars interested in public finance, governance, and the implementation of financial oversight systems within devolved governments would benefit from the insights presented in this study. Furthermore, the research methodology and findings can inspire comparative studies across different counties or countries, contributing to the global discourse on public finance management. Additionally, for policymakers and government officials, indispensable perception into effectiveness of existing financial monitoring practices and public finance management compliance within Nairobi County Government. The study highlights key challenges and areas for improvement, providing actionable recommendations for strengthening financial governance. By implementing the study's recommendations, policymakers can enhance transparency, reduce corruption, and ensure better use of public funds, leading to more effective service delivery at the county level. The study also holds practical significance for financial managers and administrators within Nairobi County Government and other public institutions. It offers a detailed analysis of how financial monitoring and compliance

practices can be improved to ensure better accountability and stewardship of public resources. Financial managers can use the findings to refine their monitoring processes, adopt more effective practices, and align their activities with regulatory standards. This, in turn, would help improve the overall financial health and integrity of public institutions.

### **1.6 Scope of the Study**

Kenya's Nairobi City County formed contextual scope, zeroing on examining the impact of financial monitoring practices on PFM compliance. Specifically, the review assessed how key financial monitoring practices, including budget implementation, financial reporting and auditing processes affect overall compliance with PFM regulations and standards. Nairobi City County manages Kenya's largest county budget but still struggles with audit gaps and poor financial accountability, making it ideal for this study. PFM compliance was evaluated in terms of three critical dimensions: accountability, transparency and financial resources effective use. The study aimed to determine how these practices contribute to or hinder the achievement of these PFM goals, which are essential for sound governance and resource management. The research adopted descriptive research and semi-structured questionnaire amassed data, designed to capture both qualitative and quantitative information. The time frame for the analysis covered the period from 2020 to 2024, a critical phase of PFM reforms and digitization efforts in Kenya, offering a consistent audit trail across five budget cycles. This study's findings were expected to contribute valuable insights into the effectiveness of current financial monitoring practices and offer recommendations for enhancing PFM compliance in Nairobi County.

### **1.7 Limitations of the Study**

Due to financial records' sensitivity, comprehensive and current financial data accessibility within Nairobi County Government is limited. Some records were either incomplete or inaccessible due

to privacy policies or bureaucratic delays. This limitation would affect accuracy and breadth of the financial monitoring practices examined in the study, potentially skewing the results. Exclusive focus on Nairobi County Government, also delineated a limitation as outcomes' applicability to other Kenyan county governments or other jurisdictions with different financial management systems, political, economic and administrative contexts may not be direct. Additionally, the study was constrained by time and resource factors. Given the limited time frame and financial resources allocated for data amassing, the review primarily relied on interviews, questionnaires, and secondary data sources. As such, the study failed to incorporate a more diverse range of primary data sources or a longitudinal approach that might provide a deeper and more comprehensive understanding of financial monitoring and public finance management practices over time.

### **1.8 Organization of the Study**

The study is systemized into distinct sections. Chapter one introduces the research, outlining background, objectives and scope. Chapter two presents review of relevant literature, accentuating key theories and previous studies. Chapter three describes research methodology, encompassing data collection and analysis techniques. Chapter Four details the study's results alongside discussion, while Chapter Five elucidates key insights into a summary, draws conclusions, offers actionable recommendations and outlines areas for further reviews.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section delineates literature review by initially discussing theories and prior research pertaining to the variables, identification of existing gaps and in conclusion, a conceptual framework.

#### **2.2 Theoretical Review**

The review is framed upon the insights of Institutional, agency and public choice theories.

##### **2.2.1 Institutional Theory**

Institutional theory is primarily attributed to Meyer and Rowan (1977), who established how institutions shape organizational behavior and structure through social norms, values, and beliefs. Meyer and Rowan (1977) argued that organizations are not solely driven by technical efficiency or economic considerations; rather, they are deeply influenced by their operational social context. They posited adoption of formal structures and practices by organizations not only to achieve their goals but also to gain legitimacy and acceptance within their institutional environment. This legitimacy is vital as it helps them secure resources, attract stakeholders, and ensure their survival in a competitive landscape.

Richard, Meyer and Rowan (2012) emphasize the role of social norms, values, and cultural contexts in shaping institutions. Scott identifies three pillars of institutions: regulative (rules and laws), normative (values and norms), and cultural-cognitive (shared beliefs and symbols). They contend that organizations often embrace formalized frameworks to appear legitimate, even when such frameworks offer little in terms of operational efficiency. Douglass and Ostrom (2017) focus on the strategic behavior of individuals within institutions. North emphasizes the importance of institutions in reducing uncertainty and transaction costs, thereby facilitating

economic exchange. On the other hand, they explore how communities can self-organize to manage common-pool resources, challenging the notion that only top-down governance can solve collective action problems.

The theory is relevant to public financial management variable as it provides nuanced reflections into compliance of PFM within Nairobi City County. Therefore, by understanding the role of institutions, legitimacy, external pressures, stakeholder involvement, and adaptive capacity, policymakers and practitioners can develop strategies to enhance compliance. Fostering a culture of accountability and transparency, while addressing the challenges identified, will be crucial for improving PFM practices and ultimately building public trust in the financial management of the County. As Nairobi City County navigates its compliance journey, leveraging the principles of institutional theory can guide its efforts toward more effective and responsible governance.

However, there are several critiques to institutional theory. Institutional theory has been criticized for lacking a truly critical edge in recent scholarship. First, Willmott (2015) and Lok (2019) argue that despite addressing societal problems, institutionalists rarely pursue structural change or challenge systems of domination. Second, the theory still centers too heavily on individual agency, sidelining how power operates invisibly and systemically, a concern emphasized by Hamann et al. (2020) who call for deeper engagement with contextual power. Third, newer critiques warn that institutional researchers reduce complex grand challenges into technical micro-interventions, often reinforcing dominant narratives instead of challenging them. These studies underscore the need for institutional theory to move beyond legitimacy-focused models and engage more directly with inequality, context, and hegemonic power.

### **2.2.2 Agency Theory**

Jensen and Meckling are known for formalizing agency theory in 1984, introducing the concept of agency costs arising from conflicts between principals and agents. They emphasized the need to align agents' interests with those of principals through mechanisms like performance-based compensation and monitoring, arguing that effective governance can reduce agency costs. Fama and Jensen (1987) expanded on this by exploring contracts and governance in addressing agency issues, highlighting the "separation of ownership and control" and its potential inefficiencies if mismanaged. Their work underscores the importance of board structures and external monitoring to ensure agents upholding their fiduciary duties.

Baker, Gibbons, and Murphy (2002) explored the role of relational contracts in agency theory, emphasizing that while formal contracts are important, informal agreements and long-term relationships significantly influence agent behavior. They argue that a supportive social environment encourages agents to maintain their reputation and pursue future opportunities, thereby aligning interests. Similarly, Laffont and Martimort (2009) expanded agency theory by examining information asymmetry in complex contexts like public economics. They focused on designing contracts that incentivize agents while addressing risks from hidden actions and information, highlighting the need for careful contract design to ensure agents act in the principals' best interests, especially when monitoring is costly or impractical.

The relationship between agency theory and financial monitoring is crucial for compliance with public financial management standards in Nairobi City County Government. Effective financial monitoring aligns the interests of agents and principals, reducing the risk of mismanagement and corruption by ensuring agents know their actions are overseen. Strong financial systems deter self-serving behaviors like fund misappropriation, while regular audits and performance

assessments safeguard against misconduct. Additionally, effective monitoring enhances public and stakeholder engagement in budgeting and financial management, encouraging accountability and advocacy for community interests.

However, agency theory has been widely critiqued for its narrow assumptions and limited applicability in complex governance contexts. First, it overemphasizes economic rationality and self-interest, often ignoring cultural and institutional influences. Yusof (2016) highlights this limitation in emerging economies where relational norms shape decision-making more than contractual incentives. Second, the theory tends to reduce the corporation to a purely financial entity, overlooking its broader social responsibilities in that it blinds governance frameworks to externalities like inequality and environmental harm. Third, by focusing almost exclusively on managerial opportunism, agency theory sidelines other critical governance concerns such as stakeholder engagement and systemic risk.

### **2.2.3 Public Choice Theory**

Public choice theory, developed by Buchanan (1965) which is an interdisciplinary framework that integrates economic theory into political analysis to examine the mechanics of public decision-making and how they can be influenced by individual incentives. Scholars have approached public choice theory from various perspectives, leading to a rich and diverse discourse. Instead, Buchanan (1965) argued that they are motivated by self-interest and personal incentives. Tullock (1969) examines decision-making in democratic institutions, highlighting the role of individual preferences and the bargaining process among diverse interests. This theory reveals the potential for government failure, suggesting that political outcomes may not align with societal interests and prompting a critical look at government interventions.

Niskanen (1971), focuses on the behavior of bureaucrats within the public choice framework and argues that bureaucrats are motivated by their own interests, which often leads to the expansion of their agencies and budgets, regardless of the actual needs of the public. Niskanen's (1971) insights into bureaucratic behavior underscore the potential for inefficiency and waste in government operations. Ostrom (1991) presents case studies illustrating capacity of local communities to autonomously coordinate for sustainable stewardship of common resources. Her work emphasizes vitality of local knowledge, social norms, and the role of institutions in facilitating cooperation among individuals. Also, she indicates that public choice theory underscore the potential for decentralized governance and vitality of comprehending social and cultural contexts in which public decisions are made.

The theory is relevant to the financial monitoring practices. Effective financial monitoring can create accountability and promote compliance with Public Financial Management (PFM) regulations. When monitoring is seen as fair and transparent, it fosters adherence among public officials; however, perceived bias can reduce compliance. Public choice theory underscores the need for clear incentives to encourage ethical behavior. The political environment of the Nairobi City County Government can significantly impact financial monitoring and compliance as political figures may misuse regulations for personal gain. Understanding these dynamics is crucial for assessing monitoring effectiveness. If leaders exhibit a myopic focus on current earnings, neglecting future fiscal integrity, compliance with PFM regulations may suffer. Therefore, financial monitoring systems should be designed to mitigate political influences and strengthen accountability.

## **2.3 Empirical Review**

Here, review of previously done researches regarding budget implementation, financial reporting and audit effects on PFM compliance is presented.

### **2.3.1 Budget Implementation and Public Financial Management Compliance**

Cheboi (2019) explored budget implementation and Kenya's Elgeyo Marakwet County financial performance. Utilizing descriptive research, the examination targeted all 79 county accounting officers through census. Primary data gathering was carried out using standardized questionnaires, which were distributed via a drop-and-pick method. Amassed data was evaluated by SPSS version 23, applying both descriptive and inferential statistics, aiming to assess how factors like resource availability, budget planning, audit processes and staff capacity influenced financial performance. Results indicated strong consensus among respondents on these factors, with findings demonstrating that effective budget planning, sufficient resources, capable staff and robust audit processes significantly and positively affected financial outcomes. Nonetheless, the examination identified certain conceptual and contextual limitations, notably its focus on financial performance rather than PFM compliance within Elgeyo Marakwet County.

Odhiambo (2022) ascertained budgetary compliance impacts on Kenya County Governments' performance using descriptive research across all 47 counties. Secondary data from the Office of the Auditor General and county annual reports from 2017 to 2021 were evaluated via inferential and descriptive statistics, including regression analysis. R-square value of 0.2472 was evidenced, indicating that 24.72% of performance variations were linked to the study's four variables. The model was statistically significant (p-value = 0.000). The study found that revenue transfer and local revenue collection positively influenced county performance, while budgetary compliance and recurrent spending did not. It concluded that enhancing revenue transfer and local revenue

collection is essential for improving county government performance. However, the study presents a conceptual gap in examining performance instead of PFM compliance.

Abdallah (2018) descriptively evaluated budgeting process effects on Kenya's Kwale County financial performance. The study surveyed all 13 county departments, amassing primary data from County Executive Committee members and Chief Officers via a structured questionnaire. Secondary financial performance data was gathered by Department of Finance and Economic Planning. Cronbach's alpha confirmed questionnaire's reliability at 0.985. Data analysis was conducted using IBM SPSS Statistics version 21, employing correlation and Chi-square tests. Respondents generally agreed that the budgeting process positively influences financial performance, particularly regarding target achievement, program-based budgeting, budgetary control, and county legislation. However, the research reveals notable gaps, conceptually and contextually, given its exclusive focus on Kwale County's financial outcomes.

### **2.3.2 Financial Reporting and Public Financial Management Compliance**

Osman (2017) studied factors affecting compliance with IFRS among firms on Nairobi Securities Exchange by descriptive research. The review included 64 listed firms as of December 31, 2016, employing a census approach and collecting data from 2012 to 2016. Regression analysis revealed firm size's significant negative correlation with disclosure index, while profitability had an insignificant negative connection. Leverage showed a positive but insignificant correlation, and firm age evidenced a substantial positive correlation. However, time scope of 2012-2016 presents results that may not be generalizable in the intended 2020-2024 time scope due to differing regulatory environments.

Deorri and Poda (2023) examined public financial reporting practices and Kenya's State-Owned Enterprises (SOEs) accountability. Their review highlights the critical role of SOEs in providing essential services like health and education, but reveals significant accountability issues, including fraud and misappropriation of funds, which hinder service delivery and damage reputations. The study also notes inadequate financial reporting practices leading to mismanagement and financial losses among many SOEs. However, it acknowledges a methodological gap due to its reliance on secondary data.

Rugutt, Naibei, and Cheruiyot (2019) explored financial reporting reforms and specific Kenyan County Governments performance. Utilizing descriptive research, it focuses on the whole target population of 184 treasury personnel (census) from the County Governments of Bomet, Kericho, Nakuru, and Narok. Data amassing was via semi-structured, self-administered questionnaires. Data analysis involved both descriptive and inferential statistical techniques. Results indicated that financial reporting reforms substantially significantly impacted Kenya counties' financial performance. Nonetheless, the research unveils a contextual gap since Nairobi City County was not amongst Counties studied. A methodological gap is also identified since census will be employed instead of stratified sampling.

### **2.3.3 Audit and Public Financial Management Compliance**

Abubakar and Omwenga (2021) studied the internal audit function's impact on Kenya's Lamu county financial performance using a descriptive framework. 30 employees from five departments in the Ministry of Finance, Budget, and Planning were sampled. Data were analyzed with SPSS version 23, using frequency counts, percentages, standard deviations and means and presented in tables. Multiple linear regression assessed financial performance (dependent variable) relationship with factors like audit function, risk management, financial reporting, and

cash management (explanatory variables). The findings revealed that Lamu County had an effective internal audit unit that conducted timely audits, with results communicated to top management. However, the study focused on performance of Lamu County, Kenya thus presenting a contextual gap.

Mbaruk (2022) examined the link between internal audit practices and Kenya’s Mombasa County Government financial performance. Using a descriptive framework, the review targeted 108 employees, including internal auditors and finance personnel, and employed stratified sampling to select 85 respondents. Semi-structured questionnaire and secondary audited financial reports amassed data. To enhance validity and reliability, expert opinions were incorporated. Descriptive statistics and Pearson correlation analysis were used, revealing variables’ notable positive correlation. However, limitation to Mombasa County exhibited contextual gap. The study of financial performance instead of PFM compliance also presents a conceptual gap.

Chiuri (2023) evaluated internal audit practices impacts on Kenya’s Nairobi City County financial performance, targeting 106 employees from job groups K and above in the Finance department. A census design was used due to the manageable population size, with data collected via structured questionnaires. Analysis included inferential statistics (regression, correlation) and descriptive statistics (percentages, means and standard deviations). Outcomes evidenced internal audit practices’ significantly impacting financial performance, though a contextual gap was noted by focusing solely Nairobi City County Government’s financial performance.

## **2.4 Summary of Literature Reviewed and Research Gaps**

**Table 2.1: Summary of Literature Reviewed and Research Gaps**

<b>Author</b>	<b>Study focus</b>	<b>Finding</b>	<b>Gap</b>	<b>Present focus</b>
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Cheboi (2019)	Budget implementation and Kenya's Elgeyo Marakwet County financial performance	Strong consensus among respondents on budget implementation significantly and positively affecting financial outcomes	Both conceptual and contextual gaps by examining financial performance instead of PFM compliance in Elgeyo Marakwet County respectively	Public financial management compliance in Nairobi City County, Kenya
Odhiambo (2022)	Budgetary compliance impacts on Kenya County Governments' performance	Revenue transfer and local revenue collection positively influenced county performance	Conceptual gap in examining performance instead of PFM compliance	Public financial management compliance in Nairobi City County, Kenya
Abdallah (2018)	Budgeting process effects on Kenya's Kwale County financial performance	Budgeting process positively influences fiscal outcomes.	By anchoring its focus solely on Kwale County's financial performance, the review leaves conceptual and contextual dimensions insufficiently explored.	Focus was on public financial management compliance in Nairobi City County, Kenya
Osman (2017)	Factors affecting compliance with international financial reporting standards among companies on the Nairobi Securities Exchange	Leverage showed a positive but insignificant correlation, and the age of the firm positively significantly correlated with the disclosure index	Time scope of 2012-2016 presents results that may not be generalizable in the intended 2020-2024 time scope due to differing regulatory	2020-2024 was the time scope

			environments.	
Deorri and Poda (2023)	Public financial reporting practices and accountability in Kenya's state-owned enterprises	Inadequate financial reporting practices leading to mismanagement and financial losses	Methodological gap due to its reliance on secondary data	Primary data was used
Rugutt, Naibei, and Cheruiyot (2019)	Financial reporting reforms and specific Kenyan County Governments performance	Financial reporting reforms substantially impacted Kenya counties' financial performance	Contextual gap since Nairobi City County was not amongst Counties studied. A methodological gap is also identified since census was employed instead of stratified sampling	Stratified sampling was used in examining PFM Compliance in Nairobi City County.
Abubakar and Omwenga (2021)	Internal audit function's impact on Kenya's Lamu county financial performance	Lamu County had an operative internal audit unit that conducted timely audits, with results communicated to top management	The study focused on performance of Lamu County, Kenya thus presenting a contextual gap	Public financial management compliance in Nairobi City County, Kenya
Mbaruk (2022)	Link between internal audit practices and Kenya's Mombasa County Government financial performance	Positive and significant correlation between the variables	Study of financial performance instead of PFM compliance also presents a conceptual gap	Public financial management compliance was zeroed in.

Chiuri (2023)	Internal audit practices impacts on Kenya's Nairobi City County financial performance	Significant impact of internal audit practices on financial performance	A conceptual gap by focusing solely on Nairobi City County	Public financial management compliance in Nairobi City County
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Source: Researcher (2025)

### 2.5 Conceptual Framework

The conceptual framework acts as a structural guide, offering a visual outline of how the study's variables are expected to relate. It enhances clarity by defining the role and linkage of each variable within the broader analytical process. The independent variables are budget implementation, financial reporting and audit with public financial management compliance as the dependent variable.

#### Independent Variables

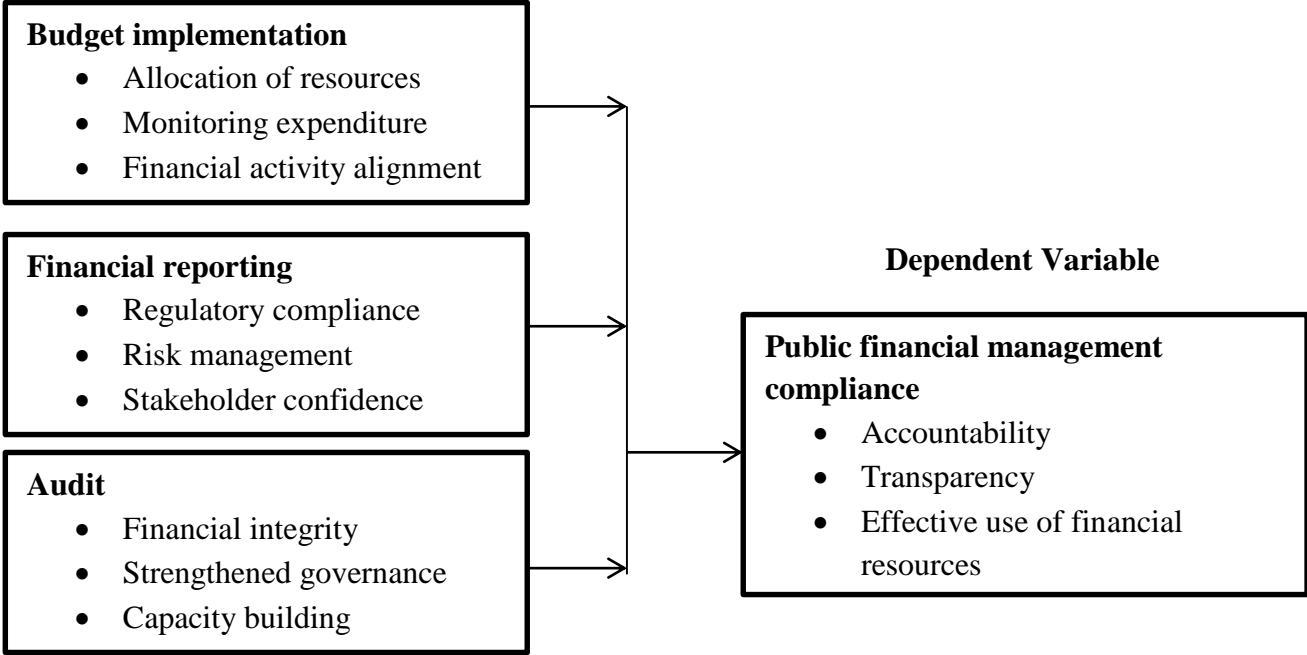


Figure 2.1: Conceptual Framework

Source: Researcher (2025)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Here, research framework, target population, sample methodology, research procedures, data amassing and analysis approach will be covered. Further, ethical considerations will be delineated.

#### **3.2 Research Design**

This examination adopted descriptive research framework. As noted by Nassaji (2019), this approach allows researchers to compare various variables or groups effectively. By gathering data on several variables, researchers can examine and contrast the relationships among them. This process aided in recognizing correlations and associations, which can be instrumental in making predictions or formulating conclusions. Therefore, this design was employed to offer a comprehensive understanding, identify patterns and trends, establish a foundation for future research, facilitate comparisons, and provide time-specific account of events.

#### **3.3 Target Population**

Nairobi City county's employees from FEP department, CEC, Chief Officer, Eight (8) directors totaling 76 respondents formed target populace. These directors were from: finance and accounting Services, economic Planning, IFMIS, procurement, audit, revenue, and revenue compliance. FEP staff were also be included.

**Table 3.1 Target Population**

<b>Category</b>	<b>Population</b>	<b>Percentage</b> %
Finance and Economic Planning employees	66	86.84

County Executive Committee Member employees	1	1.32
Chief Officers	1	1.32
Directors	8	10.53
<b>Total</b>	<b>76</b>	<b>100</b>

**Source: Nairobi City County-HRM**

### 3.4 Sampling Technique and Sample Size

To enable generalizations, statistical guidelines suggest that a sample should consist of no fewer than 30 units (Cooper and Schindler, 2003). Additionally, larger sample sizes help in reducing sampling errors. Kothari (2000) emphasizes that a well-chosen subset comprising roughly 10% of the target population is sufficient to generate dependable analytical outcomes. Mugenda and Mugenda (2003) further affirm that a minimum sample size of 30 participants can serve as a statistically valid representation of the broader population. To ensure proportional inclusion across key strata, this review adopted a stratified random sampling approach. The procedure for determining the optimal sample size was guided by the framework articulated in Kothari (2004).

$$n = \frac{Z^2 \cdot N \cdot \sigma^2 \hat{p}}{(N-1)e^2 + Z^2 \sigma^2 \hat{p}}$$

$$\frac{1.96^2 * 66 * 0.5^2}{(66- 1)0.05^2 + 1.96^2 * 0.5^2} = 52 \text{ Employees}$$

Where:

N = Population where 66 was used

n = Sample size

e = 0.05 margin error

$\sigma^2 \hat{p}$  = Population standard deviation

Z = confidence level score

**Table 3.2 Sample Size**

<b>Category</b>	<b>Population (Frequency)</b>	<b>Sample Ratio</b>	<b>Sample Size</b>
Finance and Economic Planning	66	Given by the Formula	52
CEC Finance	1	100%	1
Chief Officer	1	100%	1
Director	8	100%	8
<b>Total</b>	<b>76</b>		<b>62</b>

**Source: Researcher (2024)**

### **3.5 Data Collection Instrument**

Questionnaires amassed primary data and were systemized by six sections: Section A amassed information on participant's background, while Sections B, C, D, E, and F focused on budget implementation, financial reporting, audit, IFMIS and public financial management compliance respectively. The closed-ended questions utilized a 5-point Likert scale, enabling respondents to express their agreement level with each statement presented.

### **3.6 Pilot Study**

This is a prelude investigation encompassing limited respondents, aimed at evaluating quality of the questionnaires and identifying any potential shortcomings prior to the main data collection phase (Hopkins, 2020). According to Shakir and Rahman (2022), a pilot study typically comprises 10% of entire population. Consequently, the questionnaires were tested with 6 respondents from the financial and accounting department of Kiambu County, Kenya. Questionnaire's validity and reliability ascertainment was core aim for this piloting.

### 3.6.1 Validity of Research Instrument

Validity entails evaluating extent to which a questionnaire accurately measures its intended constructs and whether it yields consistent and valid results (Rahardja, Aini, Graha & Lutfiani, 2019).). The research implemented a content validity test to confirm validity of the questionnaires. As noted by Tojib and Sugianto (2023), content validity testing enables researchers to detect and eliminate any unclear or redundant items. Unclear questions may cause confusion among respondents, leading to inconsistent or erroneous answers. Therefore, by identifying and removing such items through content validity testing, researchers can enhance the overall quality and questionnaire efficacy.

### 3.6.2 Reliability of Research Instrument

According to Cooper and Schindler (2011), a reliable tool produces similar results when used repeatedly under the same conditions, which is essential for accurate study outcomes. To evaluate internal consistency of a questionnaire, Cronbach's alpha test was used. Salmond (2021) noted that this test is valuable for developing and validating questionnaires, providing a single coefficient that indicates overall reliability, ranging from 0 to 1, with higher values indicating better consistency. The study achieved above 0.745 Cronbach's alpha value, suggesting that the questionnaire items consistently measured the same construct.

**Table 3.3: Reliability Results**

Variable	$\alpha$ -value	Conclusions
Budget implementation	0.706	Reliable
Financial reporting	0.725	Reliable
Audit	0.766	Reliable
Public financial management compliance	0.781	Reliable

<b>Aggregate score</b>	<b>0.745</b>	<b>Reliable</b>
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**Source: Pilot Study (2025)**

### **3.7 Data Collection Procedure**

Before data collection begins, a research licence was obtained from NACOSTI after an introductory letter outlining research objectives and expected participant cooperation was prepared. Approval was sought from the County administration to execute the review on-site. The researcher distributed questionnaires directly to selected participants, clarifying the research purpose. Respondents were informed of the collection date, and a follow-up visit was done after one week for reminders.

### **3.8 Data Analysis and Presentation**

Quantitative data was examined through application of descriptive statistics, which entails analysis and summarization of dataset's principal characteristics. This encompassed metrics like central tendency (mean) and dispersion (standard deviation). Additionally, the research employed inferential statistics to derive predictions or inferences regarding a population based on a sample of data. This encompassed implementation of correlation analysis and multiple regression analysis techniques. By applying these methods, the research generated insights about the broader population, with results organized in graphical and tabular formats.

The equation for multiple regression analysis was formulated as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Y= Public financial management compliance.

X<sub>1</sub> = Budget implementation

X<sub>2</sub> = Financial reporting

X<sub>3</sub>= Audit

$\varepsilon$  = Error term.

$\beta_0$  = Constant (intercept)

$\beta_1$ ,  $\beta_2$ , and  $\beta_3$  = Beta coefficients

### **3.9 Diagnostic Tests**

For researchers that use multiple regression analysis, testing hypotheses is a crucial necessity. According to Chatterjee and Hadi (2012), breaking the multiple regression analysis assumptions can lead to unreliable significance tests, overly or underly confident estimations of the accuracy of the regression coefficients, and incorrect estimates of correlations. Prior to actually endeavoring to predict the consequences of the interventions, the researcher performed the following diagnostic tests to uphold classical linear regression model assumptions.

#### **3.9.1 Test for Normality**

Normality tests assessed degree to which data conforms to a normal distribution, a crucial assumption when utilizing multiple regression analysis (Mishra et al., 2019). Normality of data with a sample size of 266 participants, was assessed by Shapiro-Wilk test, following the recommendation of Saunders and Thornhill (2012). From the test, if p-value is greater than 0.05, it suggests likelihood of a normal data distribution, as there is no significant departure from normality. Conversely, if p-value is equal to or less than 0.05, it insinuates significant deviation from normal distribution (Mishra et al., 2019).

#### **3.9.2 Test for Homoscedasticity.**

The study employed Levene's test to investigate the presence of heteroscedasticity, which concerns error terms' variability in a regression model (Yang, Tu, & Chen, 2019).

Heteroscedasticity occurs when error terms' variance fluctuates across different explanatory variables' levels.

According to Yang et al. (2019), traditional linear regression models assume homoscedasticity, where the error variance is constant. However, even in the presence of heteroscedasticity, regression analysis can still yield unbiased results (Saunders & Thornhill, 2012). Levene's test helped assess whether the population variances are equal, with a significant result ( $p < 0.05$ ) indicating substantial variance differences among groups (Field, 2013). In contrast, a non-significant result ( $p > 0.05$ ) suggests approximately equal variances, supporting the assumption of homoscedasticity (Flores & Ocana, 2018).

### **3.9.3 Multicollinearity**

In ordinary least squares (OLS) regression analysis, the assumption of independence among explanatory variables is crucial (Brooks, 2012). However, multicollinearity, which stems when independent variables are highly correlated, can negatively impact the analysis (Daoud, 2017). Multicollinearity becomes problematic when the correlation between variables exceeds 0.9. To detect multicollinearity, the study used Variance Inflation Factor (VIF) and tolerance, as advocated by Cohen and Daoud (2017). VIF values greater than 10 delineate severe multicollinearity, with values below 1 suggesting potential model skewing.

### **3.8 Ethical Considerations**

To uphold ethical standards, all information used in this examination was properly credited, with clear citation of sources to avoid plagiarism or copyright issues. Participants were given informed consent after being fully briefed on the study's goals. Their privacy was respected, and all personal data was kept confidential and accessed only by authorized individuals. This ensured

that identities were protected and that participants would not face any negative consequences for their involvement.

## CHAPTER FOUR

### RESEARCH FINDING AND DISCUSSIONS

#### 4.1 Introduction

This chapter outlines study findings, structured into sub-sections according to the study objectives. These sub-sections encompass response rate, respondent’s demographic details, descriptive analysis and inferential statistics outcomes.

#### 4.2 Response Rate

The overall response rate was derived from 62 questionnaires administered across key offices, including Finance and Economic Planning, Chief Officer, CEC Finance and Director. Table 4.1 provides a consolidated responses summary.

**Table 4.1: Response Rate**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Returned questionnaires	59	95.2%
Unreturned questionnaires	3	4.8%
<b>Total</b>	<b>62</b>	<b>100</b>

**Source: Research Data (2025)**

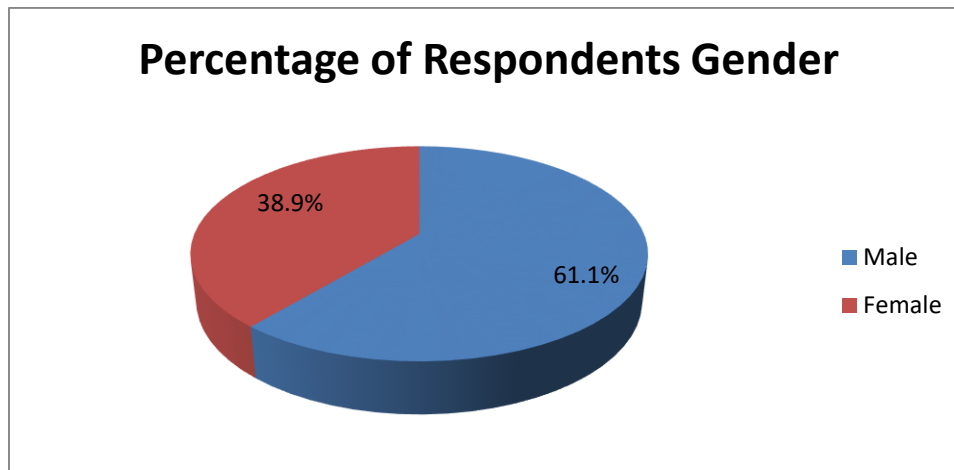
Findings illustrated in Table 4.1 indicate attainment of 95.2% response rate because 59 questionnaires were returned. The non-response rate stood at 3.2% due to 3 questionnaires not returned. As noted by Saunders, Lewis, and Thornhill (2021), a response threshold of 70% or above is generally regarded as analytically robust, providing adequate grounds for meaningful interpretation. Therefore, in light of this recommendation, the attained response rate met the threshold for analytical adequacy and draw conclusions.

#### 4.3 Respondents’ Background Information

In this review, respondents’ demographic data that were analyzed included; gender, highest education level, age and work experience. Outcomes are delineated in Tables and Figures.

### 4.3.1 Gender of the Respondents

Analysis of participants' gender findings was conducted and is illustrated in Figure 4.1



**Figure 4.1: Gender of the Respondents**

Figure 4.1 illustrated outcomes indicate that 61.1% comprised of male participants, whereas female participants represented 38.9%. This demonstrates a balanced gender representation within the sample chosen for the study.

### 4.3.2 Age of the Respondents

Findings of participants' age analysis was conducted and is illustrated in Figure 4.1.

**Table 4.2: Age of the Respondents**

Age category	Frequency	Percentage
Less than 25 years	5	8.5
25 – 34 Years	19	32.2
35 – 44 Years	28	47.5
45 years and above	7	11.9
<b>Total</b>	<b>59</b>	<b>100</b>

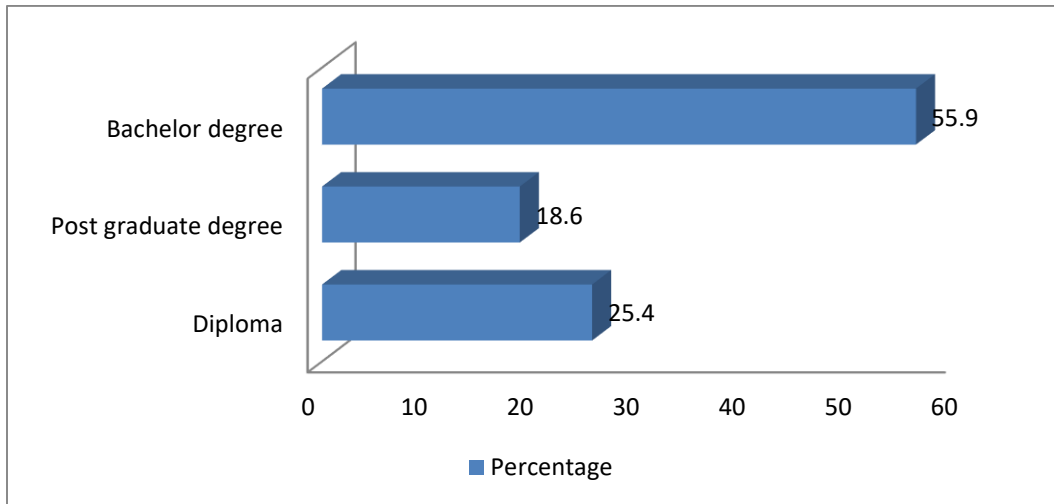
**Source: Research Data (2025)**

According to Table 4.2, the respondent pool was predominantly composed of individuals aged 35 and above (59.4%), with those aged 34 or younger accounting for 40.7%. Therefore, it was

evidenced the study engaging respondents from different age gaps with a good balance of youth and adult employees.

### 4.3.3 Education Level of the Respondents

The analysis of respondents' highest education level was conducted and Figure 4.2 illustrates it.



**Figure 4.2: Education Level of the Respondents**

Findings illustrated in Figure 4.2 indicate a significant (74.5%) of the participants possessed a bachelor's degree or higher, while 25.4% held a diploma, 29.5% had completed primary education, 23.3% achieved a college level of education, and 15.4% attained university education level. It can be inferred that most individuals engaged held a higher level of education, enabling them to contribute substantial data regarding the topic at hand.

### 4.3.4 Work Experience of the Respondents

Results regarding the participants' work experience were collected and displayed in Table 4.3.

**Table 4.3: Work Experience of the Respondents**

Age category	Frequency	Percentage
Less than 5 years	6	10.2
5-9 years	17	28.8
10- 15 years	22	37.3

Above 15 Years	14	23.7
<b>Total</b>	<b>59</b>	<b>100</b>

Table 4.3 reveals that a predominant share of respondents (61.0%) had accrued ten or more years of professional experience, whereas the remaining 39.0% had served for nine years or less. This distribution underscores a workforce largely seasoned in public financial management compliance within the County. Therefore, the study could obtain conclusive data from the respondents.

**4.4 Descriptive Statistics Results**

This section provides descriptive statistics for each variable in relation to the specific study objectives. The responses were evaluated using a 5-point Likert scale, and the results are detailed in this section. The summarized outcomes for each variable were calculated using the Percentages (%), Mean (M) and Standard Deviations (St.dv).

**4.4.1 Budget Implementation**

Outcomes from respondents’ agreement levels regarding the statements that were used concerning budget implementation effects on PFM compliance are delineated in Table 4.4.

**Table 4.4: Budget Implementation**

<b>Statements</b>	<b>SD %</b>	<b>D %</b>	<b>N %</b>	<b>A %</b>	<b>SA %</b>	<b>M</b>	<b>St.dv</b>
Allocating resources for compliance ensures that financial reporting is accurate and timely, fostering transparency in how public funds are utilized	15.2	7.1	0	26.1	51.6	4.13	0.87
Effective resource allocation supports the implementation of policies that promote good governance and ethical standards in financial management	21.3	16.4	2.5	23.6	36.2	3.57	1.43
Monitoring expenditure allows for a better understanding of where funds are being spent and whether they align with the county's strategic priorities	2.5	10.2	4.1	40.9	42.3	4.53	0.47
Monitoring expenditure help detect and prevent fraudulent activities by ensuring that expenditures are properly documented and justified	30.5	24.1	11.3	18.6	15.5	3.42	1.58
Aligning financial activities with PFM compliance ensures that financial reporting adheres to established standards	1.3	0.0	1.3	50.3	47.1	4.61	0.39
Aligning with PFM compliance helps establish strong internal controls that reduce the risk of fraud and mismanagement of public funds	15.2	7.1	0.0	26.1	51.6	4.13	0.87
<b>Aggregate score</b>	<b>14.3</b>	<b>10.8</b>	<b>3.2</b>	<b>30.9</b>	<b>40.7</b>	<b>4.07</b>	<b>0.94</b>

Outcomes in Table 4.4 show 4.07 aggregate mean and 0.94 standard deviation score. This reflects a broad consensus among respondents regarding statements expressing budget

implementation effects on Kenya’s Nairobi county public financial management compliance with majority who agreed (71.6%), 3.2% neutral and 25.1% disagreed. The finding also shows that the respondents view that effective budget implementation results to improved management of public financial compliance. The outcomes corroborates Cheboi’s (2019) assertion that on the effect of budget implementation and Kenya’s Elgeyo Marakwet County financial performance that there was strong consensus among respondents on these factors, with findings demonstrating that effective budget planning, sufficient resources, capable staff and robust audit processes significantly and positively affected financial outcomes.

#### 4.4.2 Financial Reporting

Outcomes from respondents’ agreement levels regarding statements regarding financial reporting effects on PFM compliance are presented in Table 4.5.

**Table 4.5: Financial Reporting**

Statements	SD %	D %	N %	A %	SA %	M	St.dv
Adhering to regulatory standards fosters public trust in government institutions	10.5	4.6	2.2	30.1	52.6	3.94	1.06
Regulatory standards help ensure that public resources are allocated effectively, prioritizing projects that yield the highest social and economic returns	9.4	14.4	3.5	32.4	40.3	4.03	0.97
Risk management establishes a structured approach which promotes accountability among public officials	22.3	16.1	10.9	20.6	30.1	3.51	1.49
Proactive risk management help in identifying areas where costs can be minimized, leading to better financial performance and	5.4	2.9	0	41.1	50.6	3.83	1.17

sustainability							
Trust among stakeholders fosters a culture of accountability leading to a reduction in corruption and mismanagement of public resources	7.3	1.2	2.9	35.2	53.4	4.19	0.81
Stakeholder trust encourages greater public participation in the budgeting and financial management processes	6.5	9.1	2.4	39.7	42.3	4.37	0.63
<b>Aggregate score</b>	<b>10.2</b>	<b>8.1</b>	<b>3.7</b>	<b>33.2</b>	<b>44.9</b>	<b>3.98</b>	<b>1.02</b>

Table 4.5 presents an overall mean score of 3.98, accompanied by a standard deviation of 1.02. This suggests agreement among the participants regarding the statements that reflect financial reporting effects on Kenya’s Nairobi county public financial management compliance, with a significant majority agreeing (78.1%), 3.7% remaining neutral, and 187.3% expressing disagreement. Furthermore, the findings indicate that the respondents believe that accurate financial reporting leads to enhanced management of public financial compliance. The finding concur with Osman (2017) who studied factors affecting compliance with international financial reporting standards among companies on the Nairobi Securities Exchange by descriptive research and revealed firm size’s significant negative correlation with disclosure index, while profitability had an insignificant negative connection.

#### 4.4.3 Audit

The findings related to the degree of agreement among respondents about the statements concerning the impact of auditing on compliance with public financial management are delineated in Table 4.6.

**Table 4.6: Audit**

Statements	SD	D	N	A	SA	M	St.dv
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	%	%	%	%	%		
Financial integrity fosters a culture of accountability, which is essential for building public trust in government institutions	1.6	0	0	48.1	50.3	4.55	0.45
Strong financial integrity frameworks reduce opportunities for corruption by implementing checks and balances	13.1	5.1	2.3	39.2	40.3	3.87	1.13
Enhanced adherence to PFM regulations fosters transparency, allowing stakeholders to track how public funds are allocated and spent	8.6	12.6	8.4	32.6	37.8	4.06	0.94
Adherence to PFM regulations ensures that resources are allocated based on priority needs and strategic objectives, leading to more effective public service delivery	5.1	6.8	2.1	53.9	32.1	4.16	0.84
Improved compliance frameworks enable better identification and management of financial risks, allowing for proactive measures to mitigate potential issues	10.8	7.1	3.6	47.2	31.3	3.99	1.01
Improved PFM capacity allows for better analysis and prioritization of budgetary allocations based on the needs of the community	3.4	2.4	0	42.1	52.1	4.28	0.72
<b>Aggregate score</b>	<b>7.1</b>	<b>5.7</b>	<b>2.7</b>	<b>43.9</b>	<b>40.7</b>	<b>4.15</b>	<b>0.85</b>

**Source: Research Data (2025)**

As reflected in Table 4.6, mean value stood at 4.15, with a corresponding standard deviation of 0.85. This indicates general agreement among respondents about the statements concerning audit impacts on Kenya's Nairobi county public financial management compliance. A significant

majority, 84.6%, agreed, while 2.7% were neutral, and 12.8% disagreed. Additionally, the results suggest that respondents feel that successful audit improves the management of public financial compliance. The finding is consistent with Abubakar and Omwenga (2021) who studied the internal audit function's impact on Kenya's Lamu county financial performance and the findings revealed that Lamu County had an effective internal audit unit that conducted timely audits, with results communicated to top management.

#### 4.4.4 Public Financial Management Compliance

The findings related to the degree of agreement among respondents about the statements concerning the compliance with public financial management compliance are encapsulated in Table 4.7.

**Table 4.7: Public Financial Management Compliance**

<b>Statements</b>	<b>SD %</b>	<b>D %</b>	<b>N %</b>	<b>A %</b>	<b>SA %</b>	<b>M</b>	<b>St.dv</b>
There is increased accountability	29.5	45.4	2.9	10.6	11.6	3.06	1.94
The County operations are transparent	32.3	24.5	9.4	18.4	15.4	2.68	2.32
There is effective use financial resources	39.6	33.2	5.3	10.3	11.6	3.23	1.77
<b>Aggregate score</b>	<b>33.8</b>	<b>34.4</b>	<b>5.9</b>	<b>13.1</b>	<b>12.9</b>	<b>2.99</b>	<b>2.01</b>

**Source: Research Data (2025)**

As evidenced in table 4.7 respondents reported a neutral view on Kenya's Nairobi county public financial management compliance, as indicated by 2.99 aggregate mean score and 2.01 standard deviation. On average, majority (68.2%) of the respondents disagreed, 5.9% indicated neutral while 26.0% agreed. The finding shows that there are challenges on the county's public finances management.

## 4.5 Diagnostic Results

The review employed a series of diagnostic evaluations, including normality, homoscedasticity test and multicollinearity test.

### 4.5.1 Normality Test

The research employed the Shapiro-Wilk test to evaluate if the residuals from a regression model conform to a normal distribution. Table 4.8 delineates the outcomes.

**Table 4.8: Normality Test**

Variables	Shapiro- Wilk test	
	Statistic	Significance Value
Budget implementation	0.705	0.231
Financial reporting	0.749	0.164
Audit	0.779	0.106

**Source: Research Data (2025)**

Table 4.8 presented findings indicated statistical values for all variables varying between 0.705 and 0.779. The significance values varied between 0.106 and 0.231. Therefore, it was determined that the data followed a normal distribution since the significance value was over 0.05.

### 4.5.2 Homoscedasticity Test

A Lavene test was performed utilizing the one-way ANOVA method as advised by Levene (1960). Table 4.9 delineates the corresponding findings.

**Table 4.9: Homoscedasticity Test**

Variables	Levene statistic	Significance Value
Budget implementation	0.703	0.425
Financial reporting	0.699	0.399
Audit	0.746	0.284
Public financial management compliance	0.789	0.211

**Source: Research Data (2025)**

Table 4.9 affirms significance levels associated with each variable were well above the specified error margin of 0.05, suggesting the test was insignificant, leading to the conclusion that equal variance can be assumed. Additionally, the findings indicate that the Levene’s statistics values were not significant for every variable, leading to non-rejection of the the null hypothesis. Therefore, null hypothesis was accepted, determining that the conditions for homogeneity of variance are satisfied, and no homoscedasticity was observed according to Yang and Chen (2019).

### 4.5.3 Multicollinearity Test

To assess multicollinearity, the study employed Variance Inflation Factor (VIF), with corresponding results detailed in Table 4.10.

**Table 4.10: Multicollinearity Test**

Collinearity test		
Variables	Tolerance	VIF
Budget implementation	0.730	1.369
Financial reporting	0.497	2.011
Audit	0.653	1.532

**Source: Research Data (2025)**

Table 4.10 outcomes evidence VIF values ranging from 1.369 to 2.011 which are less than 5. This means that the there is no multicollinearity. The variables are not highly correlated with one another which indicate a good condition for the validity of the regression model.

## 4.6 Inferential Statistics Results

The inferential statistics results involved correlation and multiple regression analysis.

### 4.6.1 Correlation Analysis

**Table 4.11: Correlation Analysis**

Variables		Budget implementation	Financial reporting	Audit	Public financial

					manage ment compliance
Budget implementation	Person correlation	1			
	Sig(2-tail)				
	N	59			
Financial reporting	Person correlation	0.152	1		
	Sig(2-tail)	0.201			
	N	59	59		
Audit	Person correlation	0.206	0.114	1	
	Sig(2-tail)	0.062	0.081		
	N	59	59	59	
Public financial management compliance	Person correlation	0.785	0.823	0.719	1
	Sig(2-tail)	0.002	0.001	0.003	
	N	59	59	59	59

**Source: Research Data (2025)**

Table 4.11 reveals strong positive correlations for budget implementation ( $r = 0.785$ ), financial reporting ( $r = 0.823$ ) and audit practices ( $r = 0.719$ ), each accompanied by statistically significant p-values of 0.002, 0.001 and 0.003, respectively. This finding shows that the budget implementation, financial reporting and audit were strongly correlated with Kenya's Nairobi county public financial management compliance. Moreover, an increase in one variable would cause increase in public financial management compliance.

#### 4.6.2 Multiple Regression Analysis

To analyze how the variables relate, a regression model was applied. Outcomes are displayed in Tables 4.12, 4.13, and 4.14.

**Table 4.12: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the
-------	---	----------	-------------------	-------------------

				Estimate
1	0.875	0.766	0.701	0.003

**Source: Research Data (2025)**

Table 4.12 reveal that the adjusted R-value, representing coefficient of determination, was reported at 0.701. This indicates variation of 70.1% of Nairobi City County’s public financial management compliance due to budget implementation, financial reporting and audit effects to as outlined in the model. Therefore, the remaining percentage of 29.9% represents other variables that were excluded in the analysis.

**Table 4.13: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	91.485	3	30.495	42.158	0.002
Residual	39.784	55	0.723		
Total	131.269	58			

**Source: Research Data (2025)**

As reflected in Table 4.13 findings, the model satisfies the following criteria; Firstly, the F value is 42.158, which exceeds the mean square value of 30.495. Secondly, the significance level is below 0.05, recorded at 0.002. Therefore, the regression model is deemed significant.

**Table 4.14: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.623	0.185		3.368	0.003
	Budget implementation	0.791	2.047	0.0362	0.386	0.001
	Financial reporting	0.706	3.162	0.0415	0.223	0.003
	Audit	0.724	2.006	0.0551	0.361	0.002

**Source: Research Data (2025)**

Outcomes outlined in Table 4.14 underscore that public financial management compliance of the Nairobi City County government, would be 0.623 in the absence of the effects of budget implementation, financial reporting and audit. Regression coefficients indicate that an improvement in budget implementation, financial reporting and audit would improve Kenya's Nairobi county public financial management compliance by 0.791, 0.706 and 0.724.

The regression equation is expressed as;

$$Y = 0.623 + 0.791X_1 + 0.706X_2 + 0.724X_3 + \epsilon$$

Where  $Y$  = Public financial management compliance

$X_1$  = Budget implementation

$X_2$  = Financial reporting

$X_3$  = Audit

The study ascertained that budget implementation positively significantly affected Kenya's Nairobi county public financial management compliance as indicated by ( $\beta=0.0362$ ,  $t=0.386$ ,  $p=0.001$ ). The finding agrees with Odhiambo (2022) research who ascertained budgetary compliance impacts on Kenya County Governments' performance. The study found that revenue transfer and local revenue collection positively influenced county performance.

The research indicated that the financial reporting positively significantly affected Kenya's Nairobi county public financial management compliance, as evidenced by ( $\beta=0.0415$ ,  $t=0.223$ ,  $p=0.003$ ). This pattern mirrors that reported in Rugutt, Naibei, and Cheruiyot (2019) who explored financial reporting reforms and specific Kenyan County Governments performance. The results indicated that financial reporting reforms significantly impacted Kenya counties' fiscal performance.

The review revealed audit's positive significant impact on the public financial management compliance by the Nairobi City County government, as shown by ( $\beta=0.0551$ ,  $t=0.361$ ,  $p=0.002$ ). The finding concurs with Mbaruk (2022) who examined the link between internal audit practices and Kenya's Mombasa County Government financial performance. The examination established internal audit practices' strong correlation with Kenya's Mombasa County Government financial performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This section offers the study's findings summary, conclusions drawn, recommendations made and proposals for future inquiry.

#### 5.2 Summary of Findings

This review generally endeavored to ascertain financial monitoring practices impacts on Kenya's Nairobi City County public financial management (PFM) compliance. The financial monitoring practices studied were; budget implementation, financial reporting and audit. The data was collected using a questionnaire from 62 respondents who comprised of finance and Economic Planning employees, chief Officer, CEC Finance and director. Data analysis was conducted through both descriptive and inferential statistical techniques. The resulting findings from this analytical process are outlined below;

##### 5.2.1 Budget Implementation

The study examined budget implementation effects on public financial management compliance of Kenya's Nairobi City County government. It was ascertained that budget implementation positively significantly affected Kenya's Nairobi county public financial management compliance as indicated by ( $\beta=0.0362$ ,  $t=0.386$ ,  $p=0.001$ ). Monitoring expenditures provides a clearer insight into the allocation of funds and their alignment with the county's strategic objectives. Allocating resources for compliance guarantees that financial reporting is both accurate and timely, promoting transparency in the utilization of public funds. Furthermore, aligning financial activities with Public Financial Management (PFM) compliance ensures that financial reporting meets the established standards.

### **5.2.2 Financial Reporting**

The review examined financial reporting effects on public financial management compliance of Kenya's Nairobi City County government. Financial reporting was indicated to positively significantly affect public financial management compliance within Nairobi City County government, as evidenced by ( $\beta=0.0415$ ,  $t=0.223$ ,  $p=0.003$ ). Confidence among stakeholders cultivates an environment of responsibility, which results in a decrease in corruption and the mismanagement of public resources. This trust among stakeholders promotes increased public involvement in budgeting and financial management activities. Regulatory standards play a crucial role in guaranteeing that public resources are distributed efficiently, focusing on projects that provide the greatest social and economic benefits.

### **5.2.3 Audit**

The research assessed financial reporting impacts on public financial management compliance of Kenya's Nairobi City County government. Audit was revealed to positively and significantly impact public financial management compliance by the Nairobi City County government, as shown by ( $\beta=0.0551$ ,  $t=0.361$ ,  $p=0.002$ ). Financial integrity promotes a culture of accountability, which is crucial for establishing public trust in governmental institutions. Compliance with PFM regulations guarantees that resources are distributed according to priority needs and strategic goals, resulting in more efficient public service delivery. Furthermore, enhanced PFM capacity enables improved analysis and prioritization of budgetary allocations in alignment with community needs.

## **5.3 Conclusions of the Study**

A significant advantage is concluded by the study when the County invests in better budgetary practices such offering training to financial staff, improvement on reporting systems and making

the procurement process transparent. The improvement of budget implementation strategies can result to a stronger financial environment, better delivery of services and eventually improving the residents' standards of living. Proper implementation of budget ensures compliance and ensures that the community trusts the financial system of the County.

The manner in which the County gives its financial information to the citizens is also concluded as critical in complying with PFM practices. The reporting of financial reports with clarity and accuracy improves the County's capability to have effective management of resources resulting to informed decision making and effective utilization of finances meant for the public service goals. A strong financial reporting system enable the County to identify irregularities, reduce fraud and enhance a culture of accountability which builds trust, increased civic engagement and citizen support for government projects.

The study concludes that the audit strongly correlates with compliance of financial management of the County which ensures that public finances are managed with greater accountability and transparency. Effective management of audit by the County minimizes the probability of funds embezzlement and effectively offer better services to its citizens. The County adherence to audit makes it able to identify the possible fraud leading to timely correction to protect the public resources. Moreover, the effective audits promote compliance to legal and regulatory structure minimizing the risk of being penalized and foster a culture of integrity in the public sector.

#### **5.4 Recommendations of the Study**

The review recommends investment in training the county's finance staff to enable them acquire the required skills and knowledge. The County should implement e-budgeting platforms to simplify the budget implementation processes, minimize delay and make allocation of funds

transparent. The County should introduce a strong monitoring and evaluation structure alongside clear Key performance indicators to improve on accountability and carry out frequent audits and performance evaluations. The County should enhance more public engagement platforms such as town halls, community forums and online surveys to obtain insight on budgeting priorities through hearing the voices of its citizens.

The study recommends that the County should leverage technology through digital platforms to simplify the collection of data and the process of reporting its financial information with accuracy and efficiency. The County should strengthen capacity building to its financial staff by carrying out frequent training workshops to empower them on financial reporting standards, regulation of public finance and ethical practices. The County should improve stakeholder engagement through opening frequent dialogue to its citizens and civil society organizations. The County should carry out frequent audits to ensure adherence with financial reporting standards by establishing an independent audit committees to carry out critical analysis of its financial documents.

The County is also recommended to strengthen the process of documenting its financial transactions through improvement on IFMIS implementation to ensure recording of each transaction in real time and easy access during audit. The County should conduct frequent independent audits from the external organizations to assist in providing an unbiased evaluation of the public financial management practices at hand. The County should implement advanced data analytic tools to establish any inconsistencies and financial transaction trends.

## 5.5 Suggestions for Further Study

The study recommends further research targeting financial monitoring practices that were not covered in the current scope, in order to address the identified conceptual gaps. Additionally, it proposes replicating similar investigations across other counties.

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## APPENDICES

### Appendix I: Letter of Introduction

Dear Respondents,

**Subject: Participation of Research Study**

I am writing to introduce a research study purposed to examine financial monitoring practices impacts on compliance of public financial management within the Nairobi City County Government in Kenya. Your insights and experiences are invaluable to this investigation, and I would greatly appreciate your participation.

The study seeks to understand how effective financial monitoring can enhance compliance with public financial management standards, ultimately contributing to improved governance and accountability in our local government. Your involvement will provide critical data that can inform future practices and policies.

Thank you for considering this opportunity to contribute to an important area of research. I look forward to your positive response.

Sincerely,

## Appendix II: Questionnaire

Please tick on the box corresponding to your response.

### **Section A: Background Information**

1. Indicate your Gender:  Male             Female
  
2. Age:
 

Less than 25 years <input type="checkbox"/>	25 – 34 Years <input type="checkbox"/>	
35 – 44 Years <input type="checkbox"/>	45 years and above <input type="checkbox"/>	
  
3. Indicate your highest level of education
 

<input type="checkbox"/> Diploma	<input type="checkbox"/> Post Graduate Diploma
<input type="checkbox"/> Bachelors Degree	<input type="checkbox"/> Master’s Degree
  
4. Indicate your work experience:
 

<input type="checkbox"/> Less than 5 years	<input type="checkbox"/> 5-9 years
<input type="checkbox"/> 10- 15 years	<input type="checkbox"/> Above 15 Years

For Sections B-F, Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately.

**1=Strongly Disagree, 2=Disagree, 3= Moderate, 4=Agree, 5=Strongly Agree**

### **SECTION B: BUDGET IMPLEMENTATION**

Statement	1	2	3	4	5
Allocating resources for compliance ensures that financial reporting is accurate and timely, fostering transparency in how public funds are utilized					
Effective resource allocation supports the implementation of policies that promote good governance and ethical standards in					

financial management					
Monitoring expenditure allows for a better understanding of where funds are being spent and whether they align with the county's strategic priorities					
Monitoring expenditure help detect and prevent fraudulent activities by ensuring that expenditures are properly documented and justified					
Aligning financial activities with PFM compliance ensures that financial reporting adheres to established standards					
Aligning with PFM compliance helps establish strong internal controls that reduce the risk of fraud and mismanagement of public funds					

**SECTION C: FINANCIAL REPORTING**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Adhering to regulatory standards fosters public trust in government institutions					
Regulatory standards help ensure that public resources are allocated effectively, prioritizing projects that yield the highest social and economic returns					
Risk management establishes a structured approach which promotes accountability among public officials					
Proactive risk management help in identifying areas where costs can be minimized, leading to better financial performance and sustainability					
Trust among stakeholders fosters a culture of accountability leading to a reduction in corruption and mismanagement of public resources					
Stakeholder trust encourages greater public participation in the budgeting and financial management processes					

**SECTION D: AUDIT**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Financial integrity fosters a culture of accountability, which is essential for building public trust in government institutions					
Strong financial integrity frameworks reduce opportunities for corruption by implementing checks and balances					
Enhanced adherence to PFM regulations fosters transparency, allowing stakeholders to track how public funds are allocated and spent					
Adherence to PFM regulations ensures that resources are allocated based on priority needs and strategic objectives, leading to more effective public service delivery					
Improved compliance frameworks enable better identification and management of financial risks, allowing for proactive measures to mitigate potential issues					
Improved PFM capacity allows for better analysis and prioritization of budgetary allocations based on the needs of the community					

## **SECTION F: PUBLIC FINANCIAL MANAGEMENT COMPLIANCE**

To what extent do you concur with the following statements concerning Kenya's Nairobi City County public financial management compliance?

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is increased accountability					
The County operations are transparent					
There is effective use financial resources					