BUDGETING PROCESS AND FINANCIAL PERFORMANCE OF THE COUNTY GOVERNMENT OF TRANS NZOIA, KENYA

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International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 12th March 2024

Published: 15th March 2024

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v4_i1_299_320.pdf

Citation: Panyako, D. O., Miroga, J. (2024). Budgeting process and financial performance of the County Government of Trans Nzoia, Kenya. *International Academic Journal of Economics and Finance*, *4*(1), 299-320.

ABSTRACT

Budgeting process has become a fundamental issue for many organizations. In Kenya, budgeting process is increasingly recognized as a key tool for financial management. Despite the budgeting process, the county governments are still facing financial challenges notably budget deficits, stalled projects and pending bills. This suggests that the process through which the budget is controlled and monitored and evaluated could potentially help determine the financial outcomes of the county governments. It is on this basis that this paper examined the influence of budgeting process on the financial performance of the county government of Trans Nzoia County. The specific objectives were to determine the influence of budget control and auditing and budget monitoring and evaluation on the financial performance of the county Government of Trans Nzoia, Kenya. The paper was guided by the agency theory and employed the correlation design. The target population comprised of the senior and middle level employees drawn from the Finance and Economic Planning Department, Trade, Commerce and Industry Department, Public Service Management and Governance and County Assembly Committees in Trans Nzoia County. Data was collected using the questionnaires and analyzed using both the descriptive and inferential statistics. The results showed that there was a positive and moderate relationship between budget control and auditing and budget monitoring and evaluation and financial performance. 53.5% of the variance in financial performance was explained by budget control and auditing and budget monitoring and evaluation. It was concluded that 41.5% and 36.6% of the variances in financial performance of the county government of Trans Nzoia County were explained by budget control and auditing and budget monitoring and evaluation respectively. The findings may be used to formulating policies pertaining to budgeting process and financial performance in the county governments in Kenya.

Key terms: Financial Performance, Budgeting Process, Budget Monitoring and Evaluation, Budget, Budget Control and Auditing

INTRODUCTION

Financial Performance

Financial performance is a measure of an organization's financial position over a given period of time (Hartenian, 2021). It is a subjective measure of how well the organization can use its assets to generate revenues (Chapman, 2019). Haque and Arun (2022) contend that financial performance for most organizations can be measured by net income, rate of return on assets (ROA) and rate of return on equity (ROE). Financial performance also relates to the fiscal health of an organization measured against the risk of bankruptcy. In the context of the county governments, Anderson (2019) considers financial performance as the ability to have sufficient resources for quality service delivery. While financial performance is an important tool for gauging the overall organizational performance, studies have not exhaustively addressed the factors affecting financial performance in the context of the county governments. Instead, many counties have reported mixed financial performance which has made it impossible to express informed audit opinions. For instance, huge variances have been noted in the auditor general's reports in Kenya. These variances are indicative of poor financial performance in the county governments. While financial performance varies depending on how it is measured, it is apparent that counties that undertake adequate budgeting processes can achieve better financial performance outcomes (Matrem & Jayamaha, 2023).

Budgeting Process

Budgeting involves predicting and qualifying future financial requirements for an organization (Gustafsson & Parsson, 2019). It also involves establishing the legislative and regulatory guidelines in an organization to govern revenue and expenditure decisions. According to Brenford (2023) the principle of budgeting is to provide a forecast of revenues and expenditures. In this regard, budgeting is a useful financial tool for establishing the performance goals for organizations (Ansoff, 2020). However, the budget process may be unique to particular institutions. Therefore, different aspects of the budget process differ from one institution to another. In the county governments, budgeting provide future direction of the organization through which financial plans are made, implemented and monitored to see if they conformed to the budget plans (Almekinders, 2019).

Consequently, there has been an increasing research interest to help understand the impact of budgeting process. However, many of the studies have not adequately interrogated the contextual impact of budgeting process on the financial performance in the county governments. Therefore, it is essential to investigate the connection between budgeting process and financial performance of the county governments. In this paper, budgeting process was examined in terms of budget control and auditing and budget monitoring and evaluation in the context of the county government of Trans Nzoia.
Budget control process is a systematic and continuous activity characterized by establishing targeted performance and communicating details of the budget policy to all the stakeholders (Hawkensen, 2019). Therefore, budget control and auditing is a deterrent process against misappropriation of funds. In Kenya, institutional bodies are mandated to check the expenses incurred by both the national and county governments. However, the Office of the Auditor General (OAG) has the primary responsibility of auditing all accounts in the public sector to ensure that all the expenditures are incurred as set out in the financial management plan. It is generally considered that increased audit queries with ineligibility inclusion do signify poor financial performance. According to Duschek (2021) budget monitoring and evaluation is done by continuously comparing the actual performance with the budgeted performance and regular reporting of variances. Budget evaluation enables budgeting to attain the expected quality and standards in the operations of the concerned organization. It pragmatically measures the extent to which budget goals are achieved by illuminating any anomalies. Bravant (2019) recommended that budget reports should be accurate to enhance corrective decisions.

Budgeting Process and Financial Performance

There is perceived link between budgeting process and financial performance (Rono, 2020). Gacheru (2023) considered budget preparation, control and implementation as significant determinants of budget outcomes. Ustawi (2019) emphasized the performance aspects of the budgeting process and recommended that institutional performance should be thoroughly assimilated in the budgeting process. Bonventure (2020) contended that budgeting facilitates forecasting and planning thus serving as a device for communication, coordination evaluation, motivation, control and decision making. Qi (2023) considers budgeting control as being essential determinant of institutional performance. Kungu (2021) contends that public institutions should develop effective budget control procedures and processes in order to facilitate financial performance.

Globally, studies have demonstrated that financial performance is a fundamental issue of concern in budgeting. Consequently, research interest in the budgeting process and its consequential impact on the financial performance is continuing to increase worldwide because budgeting is touted as a mechanism for promoting prudential financial management (Qurant, 2022). Yang (2023) examined how budgeting influenced the financial performance of regional governments in China and noted that effective budgeting exerted a positive impact on the overall performance of the devolved regions. In Europe, budgeting has attracted research attention given its prospects for improved organizational performance and governance. In Britain, the movement towards prudential financial management practices provided justification for budgeting. Hartenian (2021) looked at the role of internal audit function in the regional governments in Saudi Arabia government and ascertained that effective budgeting depended on the human resource competence, the independence of the decentralized units, the link between internal and external audit, as well as management support for internal audit processes. In Indonesia, Noor, Alam, Nastiti and Nur (2023) reported that decentralized budgeting process played a significant role in influencing the ability of the local governments to deliver effective services.

In Africa, the increasing reliance on the devolved governments has influenced the adoption of budgeting as a tool for enhanced financial performance of the devolved units (Alau, Salam & Abdikadir, 2019), reduced financial leakage in regional governments and increase in profitability for institutions that engage in effective budgeting (Ocran, 2019). However, inadequate budget control and auditing function has been associated with financial mismanagement and non-compliance with financial regulatory provisions (Unegbu & Kida (2019). In East African countries, most of the regional governments have realized tremendous economic development, resource mobilization and increased revenue collection due to accountability measures put in financial management (Mburu, Kinyua & Ogollah, 2020).

In Kenya, the budgeting process is a critical component of public financial management practices. The procedures guiding the budgeting process in the county governments in Kenya are elaborated in Sections 117, 118, 123, 125, 126 and 127 of the Public Finance Management (PFM) Act 2012. To enhance effectiveness, the budgeting process passes through three major phases which include budget planning and preparation, budget presentation and approval and budget execution (Gacheru, 2023). Simiyu (2019) conceptualizes budgeting process as aiming to actualize a public finance management system that is efficient, effective, transparent and accountable. However, Kibugi (2021) contended that most county governments including the county government of Trans Nzoia rarely achieve the desired financial performance outcomes because there are mismatches between expenditures and revenues. Although the county government of Trans Nzoia relies on equitable sharable revenue, conditional grants and internally generated revenues, the expenditure continues to increase. In addition, the Office of the Controller of Budget (OCOB) has pointed out in their annual reports that late submission of financial reports, high expenditures on personnel emoluments, underperformance of own source revenue, spending of revenues at source, exceeding budgetary allocations, diversion of budgeted funds, high level of pending bills and use of manual payroll have adversely affected the budgeting process in the county government of Trans Nzoia (OCOB, 2020). These challenges have constrained the capacity of the county government to implement its development programs and meet its financial obligations (Okotchi, Nambuswa & Namusonge, 2020). However, improved financial performance can be realized in the county government undertakes effective budgeting process (Otieno, 2020).

Statement of the Problem

The financial reports of the county governments in Kenya show that the recurrent expenditures constitute 75% of the budget estimates with huge unexplained variances in both receipts and payments. These variances have raised questions on the veracity of budgeting as a tool for enhancing financial performance of the county governments. It is expected that if effective budgeting is adopted the financial performance can improve. However, the budgeting process is yet to turn out as accountable tool for enhancing the financial performance in the county governments in Kenya. As a result, research attention needs to be directed to determining the possible relationship between budgeting process and the financial performance of the devolved governments. Past studies focused on the influence of budget planning (Amran, 2020; Buang, 2019), without looking at the combined influence of budget control and auditing and monitoring and evaluation on the financial performance of the concerned institutions (Karanja, 2019; Kamau, 2019; Okotchi, Nambuswa & Namusonge, 2020). A review of past studies noted that budgeting process enhanced the financial performance of the county government but no investigation had been carried out in Trans Nzoia County. This paper examined the influence of budgeting process on financial performance of the county government of Trans Nzoia, Kenya.

Specific Objectives of the Paper

i. To establish the influence of budget control and auditing on financial performance of the county Government of Trans Nzoia, Kenya
ii. To determine the influence of budget monitoring and evaluation on financial performance of the county Government of Trans Nzoia, Kenya

Research Hypotheses

This research was based on the following hypotheses:

i. $\mathbf{H_a}$: Budget control and auditing significantly influence the financial performance of the county Government of Trans Nzoia, Kenya

ii. **H_a:** Budget monitoring and evaluation significantly influences the financial performance of the county Government of Trans Nzoia, Kenya

LITERATURE REVIEW

Theoretical Review

The paper was guided by the agency theory. Agency theory revolves around the problems that surface in firms due to the separation of owners and managers and emphasizes on the reduction of this problem (Ross, 1973). The theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work on his or her behalf. In this regard, the day to day management of an enterprise is carried out by the managers (agents) who are engaged by the owners (principals or shareholders). The theory states that both the agents and the principals often act on their own best interests and uncomplimentary expectations (Brahmadev & Leepsa, 2023). However, the principals assign the management responsibility to the agents with the hope that the agents will work for the benefit of the owners. Due to information asymmetry, misalignment of interests and lack of proper monitoring the agents tend to focus on maximizing their own interests which eventually leads to the principal-agent conflict. As a result the agents deliberately take advantage of information asymmetry to redistribute wealth to themselves at the detriment of the principals (Ang, Cole & Lin, 2019). Budgeting process is perceived to be a financial planning tool used to monitor, control and evaluate the performance of the planned development in the county. However, the management of the county government may undermine the budgeting process by serving their own interest in the entire process of the budgeting process. This may deny the public an opportunity to benefit from the financial performance associated with the budgeting process.

Conceptual Framework

The conceptual framework shows the linkage between the independent and dependent variables. This interaction is presented as shown in Figure 1.

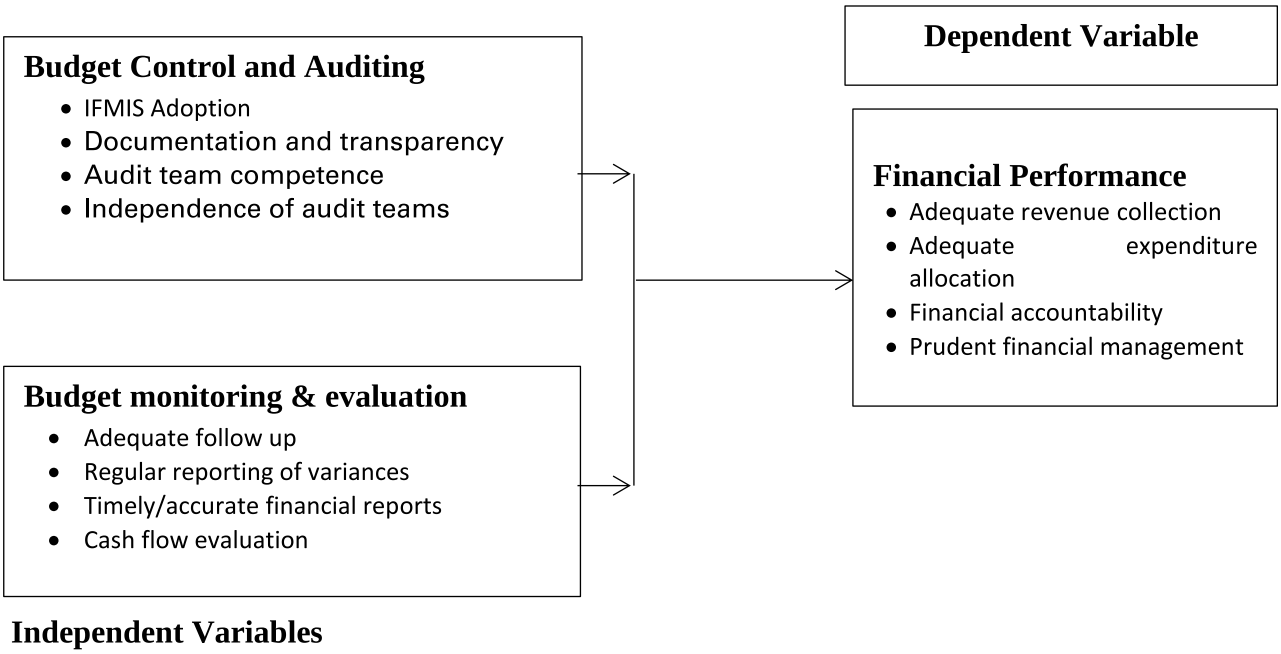

Figure 1: Conceptual Framework

The conceptual framework represents the relationship between budgeting process and financial performance. The independent variables were budget control and auditing and budget monitoring and evaluation. The dependent variable was financial performance. The indicators of financial performance were adequate revenue collection, adequate expenditure allocation, financial accountability and prudent financial management. In this paper, budgeting process was conceptualized to improve the financial performance of the county government of Trans Nzoia.

Empirical Review

Empirical review focuses on budget monitoring and evaluation and audit with regard to financial performance.

Budget Control and Auditing and Financial Performance

Budget control and auditing is the process of systematically and independently examining books of accounts and related financial documents to determine whether they present a true, fair, and objective assessment of the financial position of an organizational entity (Joshi & Abdulla, 2019). Deloof (2019) contends that all the expenditures incurred as set out in the budget have to be accounted for in order to enhance performance. Previous studies have been done to determine the effect of budget control and auditing on financial performance of organizations. For example, Hartenian (2021) examined the effect of the internal audit function on performance of organizations in turbulent times in Middle East. In this study, data was gathered using a closed ended questionnaire which incorporated various factors associated with budget control and auditing. The study reported that the perceived effectiveness of the budget control and auditing depended on human resource competence, independence of decentralized units, appropriate size of the function, the link between internal and external audit and the management support for internal audit processes. This study is significant but it did not interrogate the association between budget control and auditing and financial performance in devolved government units.

In Pakistan, Saqib, Rao and Azhar (2023) examined the impact of budget control and auditing as moderating variable on the relationship between financial performance and profitability of regional governments. The study adopted the survey approach and gathered data from four mobile service providers in Faisalabad, Pakistan. The findings indicated the presence of positive relationship between financial performance and profitability but budget control and auditing as a moderator had no effect on this relationship. Enow and Kamala (2022) analyzed the effect of budgeting on the performance of the Cape Metropolis, South Africa. Data was collected from a sample of 200 employees of the Cape metropolis using a closed-ended questionnaire. The findings revealed that the performance of the metropolis was dependent on effective budgeting process. However, the study did not focus on financial performance.

In Sudan, Arutani (2019) investigated the role of audit control systems in safeguarding public funds. Descriptive research design was adopted to establish the relationship between audit control systems and financial management. However, the study established that internal audit was either weak or ineffective to safeguard the public resources. The findings also revealed a shortage of qualified and trained accountants with accounting and financial management competencies. Further, the dominance of manual accounting systems was considered as a major weakness that negatively affected the financial performance of the decentralized units in Sudan.

Muthama (2022) examined the effects of preparing cash estimates on the performance of public hospitals in Machakos County. The descriptive survey research design was adopted and 99 respondents took part in the study. Primary data were collected using a questionnaire and analyzed using descriptive and inferential statistics. It was evident that budgeting assisted in making expenditure projections which facilitated accountability in the financial management of the hospitals. However, the study was not based on the county governments. Consequently, Korir (2020) examined the effects of budget control and auditing on the financial performance of the county government of Nakuru. The study used a descriptive survey approach in collecting data from 36 respondents drawn from the county government of Nakuru. The results showed that the county government adopted budget control and auditing to counter revenue loss and to minimize financial leakages. Similarly, Okotchi, Nambuswa and Namusonge (2020) examined the effects of budget control on the performance of Trans Nzoia County. The study was guided by the contingency theory and adopted a descriptive survey research design. The study adopted the census involving 72 employees from whom data was collected using the questionnaire. Using both the descriptive and inferential statistics, the findings revealed that budget control enhanced financial performance. However, the study adopted the descriptive survey design making it inconceivable to generalize the findings to the present study.

Budget Monitoring and Evaluation and Financial Performance

Budget monitoring and evaluation is a deterrent process against misappropriation of funds. Hawkensen (2019) observes that adequate and regular follow ups are required to verify the accountability of budget estimates and financial reports. Owing to its significance, budget monitoring and evaluation has attracted a myriad of studies. However these studies are inadequate and inconclusive. For instance, Belobo and Pelser (2021) carried out a survey to ascertain the relationship between budget monitoring and evaluation and performance of local governments in China. The authors were of the view that poor budget monitoring and evaluation experienced by the county governments would negatively affect the overall institutional performance. However, the study failed to show the connection between budget monitoring and evaluation and financial performance. This is in contrast to Alexandrova and Ivanova (2020) who found that monitoring and evaluation was a critical success factor for local governments in Bulgaria. In Pakistan, Sundus and Naintara (2019) examined the effect of monitoring and evaluation on financial sustainability. The researchers considered monitoring and evaluation as the predictor variable and financial sustainability as the dependent variable. However, the result showed that financial sustainability did not change as a result of monitoring and control.

Huang (2019) investigated the impact of technological innovation on monitoring and evaluation in organizations in Singapore. Paired-sample analysis was conducted based on pre-and post-performance audits. The results suggested that financial performance significantly improved for organizations that had strategically adopted budget monitoring and evaluation strategies. However, the study was not based on the local or county governments. Mpakaniye (2023) investigated the effect of monitoring and evaluation on the financial management of local governments in Rwanda. Based on the descriptive research design, the study established that monitoring and evaluation enhanced financial management in the local government.

Kinyanjui (2023) interrogated the effect of public participation on the financial performance of the county government of Embu. The descriptive research design was employed and data was collected using a self-administered semi-structured questionnaire. The results indicated that public participation provided justification for monitoring and evaluation practices but did not determine the association between budget monitoring and evaluation and financial performance. Similarly, Muleri (2019) interrogated the budgeting process in nongovernmental organizations in Kenya. Theoretically, the study was guided by the resource based theory with the simple random sampling used to select the research participants. A semi-structured questionnaire was used to collect data and regression analysis used to analyze data. The study found limitations in the budgeting process due to weak monitoring and evaluation. The study highlighted the importance of monitoring and evaluation but did not link it to financial performance.

Critique, Summary and Gap

Past studies have examined the perceived effect of budgeting process on the financial performance. However, the reviewed studies have presented diverse views regarding budgeting process and financial performance (Amran, 2020; Karanja, 2019; Kinyanjui, 2023; Arutani, 2019). For instance, Muleri (2019) indicated that budgeting process was important in facilitating the financial performance of the county governments but noted the existence of weak monitoring and evaluation. Abongo (2022) emphasized the need for a sound budgeting process to ensure that key financial objectives are achieved. Most of the studies have found that budgeting process was positively correlated with financial management and organizational profitability (Otieno, 2020; Chapman, 2019; Ngumi & Njogo, 2023). However, this is inconsistent with other studies that failed to link budgeting process with financial performance (Kamau, 2019; Sundus & Naintara, 2019). These results are inherently inconsistent but lead to the conclusion that there is an increased perception that budgeting process is useful in enhancing financial performance.

While most studies acknowledge that budgeting process was important, the issue of the nature of its relationship to financial performance in the context of the county governments remained unclear. This prompted a need to expand this body of knowledge while focusing on the influence of budget control and auditing and budget monitoring and evaluation on financial performance. Hence, the paper explored the influence of budget control and auditing and budget monitoring and evaluation on financial performance of the county government of Trans Nzoia.

RESEARCH METHODOLOGY

Research Design

The paper was based on the correlation research design. A correlational research design investigates the relationships between variables without attempting to control or manipulate any of them. The correlation design allows the researcher to generate both numerical and descriptive data that can be used in determine the relationships among research variables. Therefore, the correlation design was adopted to explore the relationship among the variables by making a prediction on how one variable changed in response to equivalent change in another.

Target Population, Sampling Procedure and Sample Size

The population comprised of the employees of Trans Nzoia County drawn from the Finance and Economic Planning Department (41), Trade, Commerce and Industry Department (109), Public Service Management and Governance (152) and County Assembly Committees (29). The distribution of the target population is presented in table 1.

Table 1: Distribution of the Target Population

Departments	Number of Employees
Finance and Economic Planning Department	41
Trade, Commerce and Industry Department	109
PSM and Governance	152
County Assembly Committees	29
Total	**331**

Source: County Government of Trans Nzoia (2022)

Purposive sampling was adopted to identify the research participants based on their prior requisite knowledge on budgeting process and financial performance in the devolved governments. The target population was categorized into the Finance and Economic Planning Department (41), Trade, Commerce and Industry Department (109), Public Service Management and Governance (152) and County Assembly Committees (29). Yamane's (1973) formula was adopted to determine the sample size: $n = N/ (1+Ne^2)$

Where

n: is the sample size

N: target population

e: the acceptable sampling error (0.1)

This resulted into a sample size of 76 respondents. Simple random sampling was adopted to select the actual participants from each category as shown in Table 2.

Table 2: Distribution of the Sample Size

Department	No. of Employees	Sample Size	%
Finance and Economic Planning Department	41	9	12
Trade, Commerce and Industry Department	109	25	33
Public Service Management and Governance	152	35	46
County Assembly Committees	29	7	9
Total	**331**	**76**	**100**

Source: Government in Trans Nzoia County (2022)

Data Collection

Data was collected using the questionnaires and the responses to the questionnaire items were ranked using a 5-point Likert scale to determine the level of agreement with each measure of the concerned variable parameters. The validity of the questionnaire items was determined by focusing on the content validity. The content validity was based on professional advice from research experts. The experts rated the questionnaire items to determine their relevance. The ICVI was computed and I-CVI values greater than 0.75 was obtained which indicated that the questionnaire was valid. The questionnaire was also piloted and the responses and comments used to improve on the instrument. The Cronbach's alpha was used to determine the instrument's reliability. Cronbach's alpha reliability coefficient above 0.70 for each variable was found as presented in Table 3.

Table 3: Summary of Reliability Analysis

Variables	Cronbach's Alpha	Number of items
Budget Control and Auditing	0.8299	10
Budget monitoring and evaluation	0.79325	10
Financial performance	0.8345	10

Data Processing and Analysis

The descriptive statistics which included mean and standard deviation were used to analyze quantitative data. The relationships among research variables were determined using correlation analysis. Furthermore, multiple regression analysis was used to establish whether the identified linear relationship was significant or not. The output consisted of an R squared, Analysis of Variance (ANOVA) and regression coefficients. The regression model was:

$$Y = \alpha + \beta 1x1 + \beta 2x2 + \varepsilon$$

Where:

Y = Financial performance

α = Constant Term

$\beta 1$ to $\beta 2$ = Regression Coefficients

x1 = Budget monitoring and evaluation

x2= Budget control and auditing

ε = Error term

RESULTS, ANALYSIS AND DISCUSSION

Introduction

The paper examined the influence of budgeting process on the financial performance of the county government of Trans Nzoia. This was guided by the specific objectives which were to examine the influence of budget control and auditing and budget monitoring and evaluation on the financial performance.

Descriptive Statistics on Budget Control and Auditing

The first objective of the paper was to examine the budget control and auditing and its influence on the financial performance. The results are presented in Table 4.

Table 4: Descriptive Statistics on Budget Control and Auditing

Statements/Parameters	N	Mean	Std. Deviation
IFMIS promotes transparency and efficiency in financial management	70	4.2429	.92369
IFMIS allows timely intervention and corrective actions to prevent overspending or budget deviations	70	4.2000	.77272
The audit team is competent to determine the level of compliance with financial policies	70	3.9143	.91276
There are checks and balances to minimize financial misappropriation	70	3.8571	.88932
Audit team carries out the audit assessment fairly and objectively	70	3.8143	.95239
Through audit reports the management is able to transparently identify revenue shortfalls	70	3.7857	1.10195
The audit team prepares accurate and reliable audit reports	70	3.7571	1.04168
There is integrity of financial and non-financial reports	70	3.7429	.91185
The audit team undertakes its work independently without external influences	70	3.670	1.11864
There is accuracy and reliability of financial management systems	70	3.5714	1.04356
Grand mean	**70**	**3.85143**	**0.966856**

Source: Survey Data, 2024

As shown in table 4, ten statements were dispatched to the respondents to solicit their views regarding budget control and auditing. The results showed that IFMIS promoted transparency and efficiency in financial management (M=4.2429; SD=.92369). This is supported by Zwikael and Globerson (2021) who highlighted that budget control and auditing reduced the possibility of performance failure. Moreover, IFMIS allowed timely intervention and corrective actions to prevent overspending or budget deviations as revealed by a mean response of 4.2000 and a standard deviation of 0.77272. It was also evident that the audit team was competent to determine the level of compliance with financial policies (M=3.9143; SD=0.91276). In addition, the respondents agreed that there were checks and balances to minimize financial misappropriation (M=3.8571; SD=0.88932) while the audit team carried out the audit assessment fairly and objectively as revealed by a mean response of 3.8143 with a corresponding standard deviation of 0.95239. The results also agree with Figueiredo and Kitson (2019) who contended that budget control and auditing ensured timely completion of projects. This also agrees with Lloyd (2018) who observed that it was reasonable for budget control and auditing to be thorough to make control achievable. Majority of the respondents also concurred that through audit reports the management was able to transparently identify revenue shortfalls (M=3.7857; SD=1.10195).

Moreover, the audit team prepared accurate and reliable audit reports as shown by a mean response of 3.7571 with a standard deviation of 1.04168. It is also evident that there was integrity of financial and non-financial reports (M=3.7429; SD=0.91185). Moreover, the audit team undertook its work independently without external influences as captured by a mean response of 3.670 with a corresponding standard deviation of 1.11864. Furthermore, there was accuracy and reliability of financial management systems as revealed by a mean response of 3.5714 with a standard deviation of 1.04356. The aggregate mean of 3.85143 with a standard deviation of 0.966856 indicated that budget control and auditing was carried out by the county government of Trans Nzoia.

Descriptive Statistics on Budget Monitoring and Evaluation

The second objective examined budget monitoring and evaluation and its potential influence on the financial performance of the county Government of Trans Nzoia. The results are presented in Table 5.

Table 5: Budget Monitoring and Evaluation

Parameters/Statements	**N**	**Mean**	**Std. Deviation**
Accurate financial and non-financial reports are submitted to the controller of budgets on quarterly basis	70	3.970	1.10757
Cash flow forecasts help to identify future surpluses and deficits	70	3.8429	.91105
Timely financial and non-financial reports are submitted to the controller of budgets on quarterly basis	70	3.870	1.03520
Budget monitoring and evaluation is continuous and promotes improvement and adaptability	70	3.7857	.97643
Through monitoring budget variances in the budget are identified	70	3.6857	.86045
There are clear procedures for making regular follow ups to ensure accountability	70	3.6571	.91502
Budget plans are aligned to cash flow projections to ensure minimal pending bills	70	3.6143	1.25447
There is an operational monitoring and evaluation unit	70	3.6000	.96909
The budget anomalies are tracked and accurately reported	70	3.5571	.87866
Financial wastage and leakages are easily detected	70	3.5143	.95921
Grand mean	**70**	**3.70143**	**0.986715**

Source: Survey Data, 2024

As shown in table 5, there were ten statements assessing budget monitoring and evaluation. From these statements, it was evident that accurate financial and non-financial reports were submitted to the controller of budgets on quarterly basis (M=3.970; SD=1.10757). This is supported by Wysocki (2018) who argued that budget monitoring and evaluation ensured that the resources and the expenditure required for each deliverable were matched. However, cash flow forecasts helped to identify future surpluses and deficits as revealed by a standard deviation of 3.8429 with a corresponding standard deviation of 0.91105. This concurs with Willar (2019) who established that organizations that developed quality planning mechanisms successfully operated their projects without substantive time-delays and cost overruns. Moreover, timely financial and non-financial reports were submitted to the controller of budgets on quarterly basis (M=3.870; SD=1.03520). The findings are consistent with Müller and Turner (2021) who reported a correlation between pre-contract internal planning and project schedule variance and noted that project quality was required to meet schedule goals. It also seemed that budget monitoring and evaluation was continuous and promoted improvement and adaptability as shown by a mean response of 3.7857 with a standard deviation of 0.97643. Similarly, the respondents were concomitant that through monitoring budget variances in the budget were identified (M=3.6857; SD=0.86045) and financial leakages were easily detected (M=3.6571; SD=0.91502).

In addition, the respondents agreed that budget plans are aligned to cash flow projections to ensure minimal pending bills (M=3.6143; SD=0.95921). Furthermore, there was an operational monitoring and evaluation unit in the county (M=3.6000; SD=0.96909) while the budget anomalies were tracked and accurately reported (M=3.5571; SD=0.87866). This is also consistent with Raz and Matrem (2021) who averred that a positive relationship existed between budget monitoring and evaluation and financial performance of the county government of Trans Nzoia. Moreover, majority of the respondents agreed that there were clear procedures for making regular follow ups to ensure accountability (M=3.5143; SD=1.25447). The aggregate mean of 3.70143 with a standard deviation of 0.986715 indicated that the respondents concurred that the county government of Trans Nzoia undertook budget monitoring and evaluation. A focus on budget monitoring and evaluation has featured in the works of Gacharia (2019) who concurred budget monitoring and evaluation positively impacted organizational performance.

Descriptive Statistics of Financial Performance

The financial performance of the county Government of Trans Nzoia was the dependent variable. The results on the responses to the statements pertaining to financial performance are presented in table 6.

Table 6: Financial Performance

Parameters/Statements	N	Mean	Std. Deviation
The county regularly receives financial resources from the national government	70	3.670	1.06555
Fiscal policies are put in place to ensure financial accountability	70	3.6143	1.01143
The financial resources are spent according to budget provisions	70	3.3714	1.14425
There is prudent financial management in the county	70	3.370	.92817
There is prudent expenditure allocation to all departments in the county government	70	3.1714	1.02110

The operations are undertaken in a cost effective manner	70	3.170	1.06215
The liquidity position of the county enables it to meet its financial obligations	70	3.1000	.96534
The county government is financially solvent	70	2.9429	.93073
There is enough resources to complete planned programs/activities	70	2.7429	1.03119
Revenue collected in Trans Nzoia County is adequate	70	2.5000	1.21285
Grand mean	**70**	**3.15287**	**1.037276**

From the results presented in table 6, financial performance was measured using ten statements. The results showed that the county regularly received financial resources from the national government (M=3.670; SD=1.06555) and that the fiscal policies were put in place to ensure financial accountability (M=3.6143; SD=1.01143). This has been supported by Kumaraswamy (2021) who conceptualized financial performance in terms of realization of financial projections. However, majority of the respondents were noncommittal that the financial resources were spent according to budget provisions (M=3.3714; SD=1.14425) and prudentially (M=3.370; SD=0.92817). This concurs with Pheng and Chuan (2021) who averred that financial challenges served to constrain the performance of devolved units in India. Similar sentiments were observed by Ling (2021) who believed that the most important aspect of financial performance was prudent use of resources. Also the respondents were noncommittal that there was prudent expenditure allocation to all departments in the county government (M=3.1714; SD=1.02110). Similarly, the respondents were noncommittal that operations were undertaken in a cost effective manner as revealed by a mean response of 3.170 with a standard deviation of 1.21285. With regard to whether the liquidity position of the county would enabled it to meet its financial obligations, majority of the respondents were noncommittal (M=3.1000; D=0.96534). This concurs with Pheng and Chuan (2021) who identified the difficulties associated with the realization of financial goals of many public institutions.

Consequently, the respondents were noncommittal that the county government was financially solvent (M=2.9429; SD=0.93073). Consequently, the respondents were noncommittal that there were enough resources to complete planned programs and activities as shown by a standard deviation of 2.7429 with a mean response of 1.03119. The revenue collected was inadequate as shown by a mean response of 2.500 with a corresponding standard deviation of 1.06215. This is further supported by the aggregate mean response of 3.15287 with a standard deviation of 1.037276 which indicated that the respondents were noncommittal that the county government of Trans Nzoia had registered improved financial performance. Ling (2021) believes that the most important aspect of financial performance relates to quality control.

Correlational Analysis

Pearson's product-moment correlation coefficient (r) was used to explore the direction and strength of the relationship between the research variables. The results of the correlation analysis are presented in table 7.

Table 7: Correlation Coefficients Matrix

		Financial Performance	Budget Control/Auditing	Budget Monitoring/ Evaluation
Financial Performance	Pearson Correlation	1	.647**	.666**
	Sig. (2-tailed)		.000	.000
	N	70	70	70
Budget Control/Auditing	Pearson Correlation	.647**	1	.776**
	Sig. (2-tailed)	.000		.000
	N	70	70	70
Budget Monitoring/ Evaluation	Pearson Correlation	.666**	.776**	1
	Sig. (2-tailed)	.000	.000	
	N	70	70	70

The correlation analysis results revealed that there was moderate positive relationship between budget control and auditing and financial performance (r=0.647, p=0.000). The results also indicated that there was a moderate positive and significant relationship between budget monitoring and evaluation and financial performance (r=0.666, p=0.000). It is important to note that the correlation coefficients between the predictor variables and the criterion variable were moderate but positive making it suitable for further analysis using regression.

Regression Analysis of Variables

According to Barbara and Linda (2007) regression is a set of statistical techniques that permits the assessment of the actual relationship between more than one independent variable and one dependent variable. The goal of regression is to arrive at the set of regression coefficients (*Beta* values), for the independent variables that bring the *Y*-values. The regression analysis considered financial performance as a function of budget control and auditing and budget monitoring and evaluation. The regression analysis is presented in a systematic manner starting with the model summary followed by ANOVA and the beta coefficients.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733a	.538	.509	.43635

a. Predictors: (Constant), Budget Monitoring and Evaluation, Budget Control and Auditing

The results in Table 8 present the model used in explaining the multiple regression between budget control and auditing and budget monitoring and evaluation and financial performance of the county

Government of Trans Nzoia. The R-square of 0.538 indicated that budget control and auditing and budget monitoring and evaluation explained 53.8% of the variations in financial performance. This implied that other factors contributed 46.2% of variation in financial performance. The model used to predict financial performance was fit as depicted in table 9.

Table 9: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.398	2	3.600	18.905	.000[b]
	Residual	12.376	67	.190		
	Total	26.774	69			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Budget Control and Auditing and Budget Monitoring and Evaluation

The results indicated that the *F*- statistic of 18.905 (*p*=0.00) suggested that the model was significant and displayed goodness of fit. This means that budget control and auditing and budget monitoring and evaluation were good predictors of financial performance of the county Government of Trans Nzoia. The results of the beta coefficients are presented in table 10.

Table 10: Beta Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.112	.393		2.829	.006
	Budget Control and Auditing	.376	.136	.415	2.767	.007
	Budget Monitoring and evaluation	.346	.134	.366	2.590	.012

a. Dependent Variable: **Financial Performance**

The results of beta coefficients presented in table 10 indicated that without the two variables, financial performance would remain fixed at 1.112 units. However, a unit increase in budget control and auditing led to a significant increase of 0.415 (41.5%) units in the financial performance (p=0.007). The study hypothesized that budget control and auditing significantly influenced the financial performance. The results revealed that the p-value was 0.007 implying that budget control and auditing influenced the financial performance and the influence was significant. Hence, the null hypothesis was rejected and it was concluded that budget control and auditing significantly influenced financial performance. This is consistent with Zwikael and Globerson (2021) who highlighted that budget control and auditing increased the possibility of financial performance by ensuring effective utilization of resources during implementation.

Moreover, a unit increase in budget monitoring and evaluation would lead to a significant increase of 0.366 (36.6%) units in financial performance (p=0.012). It was hypothesized that budget monitoring and evaluation significantly and statistically influenced the financial performance. The results facilitated the rejection of the null hypothesis (p=0.012) thus concluding that budget monitoring and evaluation significantly influenced the financial performance of the county government of Trans Nzoia. The findings are consistent with Fortune and White (2018) who contended that budget monitoring and evaluation was a critical factor for enhanced organizational performance. The regression model can be represented as follows:

Financial Performance (Y) =1.112+0.415X3+0.366X4   Where;
X3= Budget Control and Auditing
X4= Budget Monitoring and Evaluation
Based on the results, budget control and auditing had the highest influence on financial performance (0.415) followed by budget monitoring and evaluation (0.366).

Conclusion and recommendations

Conclusion

The paper examined the influence of budgeting process on the financial performance of the county Government of Trans Nzoia. The results show that there was moderate positive relationship between budget control and auditing and financial performance of the county Government of Trans Nzoia (r=0.647, p=0.000). There was also moderate positive relationship between budget monitoring and evaluation and financial performance of the county Government of Trans Nzoia (r=0.666, p=0.000). It is concluded that budget control and auditing and budget monitoring and evaluation explained 53.8% of the variance in financial performance of the county Government of Trans Nzoia. It also concluded that 41.5% of the variance observed in the financial performance was explained by budget control and auditing while budget monitoring and evaluation accounted for 36.6% of the variance in the financial performance was explained by budget monitoring and evaluation.

Recommendations

It is recommended that when developing the control and audit plans for the county governments, an integrated approach should be adopted so that all the elements in the budgeting process are audited. Finally, the study recommends that budget monitoring and evaluation activities should be accelerated through a framework of consultation and evaluation procedures be well documented to ensure that out of control situations are managed through effective corrective actions.

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