The Influence of Devolved Governance System in Participation Management of Public Funds in Meru and Tharaka Nithi Counties in Meru Community, Kenya

Stephen Mbae Muthamia

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Stephen Mbae Muthamia

PhD Researcher, Tangaza University College: Kenya

Email of the corresponding author: stmuthamia@gmail.com

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Abstract

The purpose of the study was to find out the influence of devolved governance system in participation management of public funds in Meru and Tharaka Nithi counties in Meru community**.** Devolved governance system in Kenya has taken root with the central government devolving funds, policies and programs with minimal involvement of the people on the grass root level.. Since the advent of devolution it is critical to find out whether people have taken the initiative to influence governance and be involved in fund management. The research questions guiding the study were: What is the influence of Devolved System of Governance in managing funds in County Governments in Meru Community? What is the influence of devolution and public participation in governance of County Governments in Meru Community? How does devolution and political representation in counties influence performance of governance in County Governments in Meru Community? To which extent does devolution and public participation in decision making is being institutionalized by county governments in Meru community? What is the effectiveness of control activities in the management of public funds in county governments in Meru community? The research was conducted in Meru and Tharaka Nithi Counties and through purposeful sampling had two case studies from each county in Meru community. Data was collected using guided interviews and semi structured questions. The data was collected through a focus group discussion, documents and audio-visual materials.. The study examined the literature review to understand devolved governance system and its practice globally, regionally and in Meru and Tharaka Nithi Counties. The theoretical framework was anchored on the governance theory, devolution theory, management theory and participation

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theory which imply that citizens are able to participate in fund management. The study findings indicated that the devolved system of governance is able to improve on financial planning, which eases the decision making process. It improves the transparency on financial matters and there is accountability on financial utilization which has influenced the financial management in Meru and Tharaka Nithi Counties. The study concluded that public participation is a pivotal factor in the budgeting process as optimal participation by the public reduces instances of fractious processes and the budgets captured the wishes of the masses. The essence of assuring public participation is requisite in the quest to have openness in budget making.

Keywords: *Devolved governance system, Participation, management, Public Funds.*

1.1 Introduction

Devolution of government services is one of the key principles of the 2010 Kenyan constitution in which counties have been envisaged as the primary units of development. These units are mandated to receive reliable resources of revenue by the constitution to enable them be self-governing and deliver services effectively. In fact, a study by Khaunya, Wawire & Chepng'eno (2015) on devolved governance in Kenya revealed that counties had been faced with a myriad of challenges that stand on the way of realized achievements. These challenges include inadequate funding, corruption, nepotism, inability to absorb some devolved functions, mistrust among stakeholders, and different implementers of devolution with varied cultures and approaches, devolved bureaucracy and bloated workforce with duplication of duties. The Constitution of Kenya 2010 upon enactment and promulgation changed the Governance structure from a centralized unit to devolved sub-units known as the County Governments. It was expected that the onset of these devolved system of governments, after the 2013 Elections and enactment of subsidiary laws, would address development challenges of the centralized governance that Kenya has had since independence. While there has been greater public awareness in matters of accountability, transparency and prudent use of resources and at the same time the growth and strengthening of institutions charged with supervision and over sighting of those implementing the projects at county level, a lot needs to be done to meet the spirit and the letter of the constitution and public expectation.

The Auditor General's report of 2018, indicate that massive impropriety in many counties in Kenya. The allegations range from improper use of financial resources, flouting procurement rules and procedures or outright misappropriation. The ability of organizations to institutionalize strategies has become a central concern in many organizations today. Kenyans pushed for enhanced decentralization of development initiatives through the adoption of the Constitution of Kenya 2010 that focuses on devolution. Counties have now adopted a devolved system of government with one national government and forty seven county governments. The national government focuses mainly on policy formulation while the county governments are largely dwelling on policy implementation. The transition to devolved governments Act 2012 has the potential to be useful in helping the counties institutionalize the planned change focusing on facilitating and coordinating the transition to devolved system of government. This process will help determine the extent to which devolved projects has taken place at the local levels. In another study Mwabu & Kibua (2008) studied governance strategy has been institutionalized and the factors that are influencing the institutionalization process

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The Constitution of Kenya article one hundred and seventy six sub section two, requires the County Government to decentralize its functions and provision of its services to the extent that is efficient and practical. Kenya is currently undergoing a national change, from the centralized multiparty government structure to the devolved government structure based on counties. This is done with the desire to mitigate the inefficient delivery of public services in Kenya brought about by the formerly highly centralized government system. Several studies have been done on devolution in Kenya include that done by, Mutuiri (2012) in which she analyzed administration and performance of the local authority transfer fund (LATF) in Nyeri County, an important devolution mechanism for addressing inequalities across local authorities. The study identified the critical challenges that face the implementation of this innovative reform of financing development, the efforts made to reduce unnecessary layers of government to make service provision to the population more effective. The Kenyan studies above did not provide an explanation of the challenges that face the rolling out of the devolved governance strategy in Kenya. Weak governance, lack of accountability and poor institutional framework undermines development in county governments, For example, mis-appropriation and mis-application of funds, poor prioritization of projects, lack of proper public participation frameworks, wastage and lavish expenditures, weak oversight by County assemblies, wrangles between Governors, their deputies and also senators among other factors manifest poor governance challenges that are undermining development in Counties. There is need to unravel these challenges and make recommendations for clear, stable and predictable systems to be put in place in line with internationally accepted principles of good governance in order to enhance and accelerate the developmental benefits of devolution. There are substantive challenges, which if not addressed will severely compromise the success of the system of devolved government.

Some of the primary threats to the effective implementation of the system of devolved government identified in Meru are: politicization of the process and delay in salary payments, whereby it's a big challenge cutting across in all 47 counties, delays in undertaking number of critical transitional activities, poor staff remuneration, lack of skilled manpower in county units, lack of carrier progression (Meru County Government 2018). This is because the study by Mwabu & Kibua (2008) was done earlier than the official start of the full scale implementation of devolved governance while the study by Mutuiri focused on a small unit of devolution. Little literature on devolution exists in Kenya but nothing has been done in Meru and Tharaka Nithi counties in Meru community. This study will go into filling this gap. The study sought to find answers to the question: What is the influence of Devolved System of Governance in managing funds in County Governments in Meru Community? What is the influence of devolution and public participation in governance of County Governments in Meru Community? How does devolution and political representation in counties influence performance of governance in County Governments in Meru Community? To which extent does devolution and public participation in decision making is being institutionalized by county governments in Meru community? What is the effectiveness of control activities in the management of public funds in county governments in Meru community?

2.1 Background

Devolution is the transfer of power from a central government to sub national (e.g., state, regional, or local) authorities. Devolution usually occurs through conventional statutes rather than through a change in a country's constitution; thus, unitary systems of government that have devolved powers in this manner are still considered unitary rather than federal systems, because the powers

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of the sub national authorities can be withdrawn by the central government at any time (Britannica encyclopedia devolution). Devolution is the transfer of authority from a senior level of government to a junior level, and can be viewed as both a theoretical concept and as an administrative process (Dacks, 1990). Hence, he states that when devolution is viewed theoretically, it can be seen as an instance of decolonization which can be usefully related to literature on political development while when viewed as an administrative process, the study of devolution can contribute to understandings of institutional change in general, and particularly to issues of development administration. Furthermore, according to Muriisa (2008) devolution is the substantial transfer of powers and authority and functions from higher or central government to local units, upon which the local units or governments subsequently acquire significant and autonomous financial and legal powers to function without reference to central government. Devolution of governance is considered as one of the most effective solutions to social challenges that countries encounter from time to time. For instance, devolution has been recommended as the major remedy for the failures in political governance, such include conflicts, inequalities, rent seeking, economic stagnation, corruption and insufficient use of public resources.

Devolution is generally defined as a process of transfer of political power, administrative and fiscal management powers between central governments and lower levels of government, primarily operating at city and region levels (Potter, 2001). Following the promulgation of the Kenya constitution in 2010, a total of 47 counties (devolved governments) as outlined in the First Schedule were created kicking off the implementation of devolution in Kenya. These counties are headed by county governors and receive funding from the National government and at the same time generate funds to sustain themselves. Implementation has been defined as the process of putting plans into action for the accomplishment of set objectives. It is through implementation of strategy that organization can figure out its future and benefits from the opportunities the future provides (Kotler, 1984). According to the constitution, the objectives and principles of a devolved government are to recognize the right of communities to manage their own affairs and further their development, hence giving the people a sense of identity and self-empowerment.

In addition, the devolved governments are supposed to protect and promote the interests and rights of minorities and marginalized communities. This would promote a sense of unity as they would not feel as though their needs have been ignored. Kenya has experienced a number of inter-communal conflicts which are spread across the country and tend to intensify during the electioneering period. The centralized system of governance had created an environment in which social exclusion of some communities thrive as it did not promote political participation of all communities. From the time of independence, few individuals hailing from a few ethnic communities dominated key political positions and had control over economic resources to the exclusion of other communities. This led to heightened mistrust, tension amongst communities resulting in both intra-communal and inter-communal conflicts. Therefore, activists and other key stakeholders resorted to push for the adoption of devolution to reverse the problems arising out of a centralized political system. Kenya first adopted devolved governance in the Majimbo constitution right after independence.

Devolution is focused on efficiency thus the expectation that decentralizing functions to the lowest feasible level of decision making and implementation will optimize information flow and reduce

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transaction costs. Thus, a decision to devolve is often based on the failure of central government to deliver, such as in revenue collection or in service delivery. Devolution is further seen as an avenue to democratic deepening within a country, with constitutional or legal boundaries diminishing friction with the Centre that could otherwise undermine the county. For devolution theories**,** as according to the instrumental theory (Parry, 1980), participation in decision-making is best viewed as the means to achieve some greater ends. It is an enabling strategy or action plan or a set of procedures that has been devised to implement a broader political principle or an administrative purpose. Participation should not be seen as an end in itself. The "ends" may be those relating to the effective and efficient delivery of goods and services or to the realization of values and principles such as freedom, equity, social justice and rights. Instrumental theories treat political participation as a means to some more restricted end such as the better defense of individual or group interests. As for devolved governance system in Kenya**,** devolution responsibilities, resources and authorities are transferred from higher levels of government to lower levels as one way through which the governed participate in governance (Muia, 2008).

The central government cedes some powers to clearly defined sub-national geographical units (Katsiabuni, 2003). According to Manor (1999), in the administrative devolution there is a set of policies that transfer the administration and delivery of social services like education, health, social welfare, or housing to the sub-national units. Devolution is characterized by high autonomy and downward accountability. The sub-national entities are not directly accountable to central government though they have to work within the set statutes and rules (Oloo, 2006). The Constitution of Kenya 2010 reversed the centralized non - participatory governance paradigm by institutionalizing a devolved governance system. To date a number of key steps have been taken example passage of key devolution related legislative reforms, followed by general elections in March 2013 that established a new governance structure. County governments have full prerogatives that allow them to manage and develop their own affairs while fostering, social, economic and political development. Their powers also extend to agriculture, transport, trade development and regulation, pre-primary education and planning and development. Their structures include governors, county women representatives, county ward representatives and senators who represent the counties at the national level. The Transitional Authority established by schedule six of the constitution facilitates and coordinates the transition to a devolved system of government.

County governments have taken over institutional structures of the local government authorities including office premises, staff, assets and liabilities of the local government that functioned under the former constitutional dispensation. Governance theory is simply the governor and the governed working as a team. It‘s all about team work and spirit. Many decisions are made after seating together as a team and agreeing the way forward where everyone matters. Decisions made and implemented are dictated by the rules of collective responsibility (Chotray & Stoker (2009). Governance skills in a county are two fold the governor and his executive committee exhibiting exemplary skills in controlling public funds, and his governance skills in working with his/her executive committee members as a team in implementing public projects. Making public decisions needs collective consensus with responsibilities of who does what so that there are clear rules of authority, Stoker, (2006). There must be a chain of command and responsibilities. Good governance requires vision and creation of values for an entity in order to enable managers steer it along its organizational goals. In our current dispensation of counties governors have to play their vital role of managing public resources for faster development in those counties which lagged

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behind before devolution came in, (Oduor, (2015) Many Governors have little incentives to practice good governance. Such Governors are interested in achieving their own interests at the expense of development, their big aim being to plunder public resources probably to enrich themselves and their cronies. Better governance skills require humility, responsiveness, servant leadership and above all openness devoid of corruption, (Isimbabi, 2014).

Fund management theory is associated with the flow of funds in and out of the organization. The theory, according to William Baumol, is about finding a balance between costs associated with trade, specifically holding cost, opportunity cost and transaction cost. As such, organizations try to reduce the cost of holding funds as well as the cost of transforming marketable securities into cash. The fund management theory pin points the processes many organizations choose in managing funds and the decisions taken by the management of these organizations as they manage funds. In this regard, the managers have to acquire special knowledge that will assist in making decisions that will benefit the organizations (Holland, 2012). The fund management theory helps firms to determine their appropriate levels of cash balance.

The model facilitates funds managers to minimize the cost of carrying money. The theory holds that corporations should manage their funds while taking into account fluctuations in their daily cash flow. The model is therefore helpful to managers operating in highly unpredictable financial situations. It is also applicable in situation where cash flows fluctuate drastically in a short period. Nyabwanga, Ojera, Alphonce&Otieno (2011) assert that effective funds management involves determining the optimal cash to hold by considering the opportunity cost of retaining too much cash versus the trading cost of having too little cash. Hannah, Gekara& Joseph (2013) insists that besides setting cash balance for transactional purposes, cash balance ought to be set aside for precautionary purposes. This is especially for unpredictable seasonal activities. The short-term management of cash balances is of concern to many firms. This is because it is difficult to accurately predict cash flows, and mostly the inflows. According to Noriza (2010), the squeezing of funds and credit is a major threat to the existence and success of many businesses around the world. Suitable cash management practices are founded on realistic cash flow budgets for both long term and short term operations.

3.1 Research Methodology

The first stage involved in conducting a documentary analysis and defining key words related to funds management in devolved governance system in the county and devolution. The research paid attention to public participation by understanding participation as an enabler to fund management led governance. The attention was given to governance at local levels which was understood as the entire range of activities of fund management as they engage elected representatives and public professionals, create and implement public policy in communities. The second stage was to review key documents on the practice of fund management in Meru and Tharaka Nithi Counties in Meru community, Kenya. A review of the structures and mechanisms of fund management in devolved governance system was carried out. Further, a review of how fund governance happens nationally, regionally and globally was done. The historical background to this study looked at the transition of Kenya from a centralized top-down government to a devolved people driven participatory government that repositioned in fund governance. This brings out the importance of devolution in advancing fund management so that people can govern their communities and as a core concept in lifting those marginalized to positions of power, authority and control. The research used the Tangaza University OPAC bibliographical research

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engines for the most important collections and databases. Mendeley reference manager and JSTOR provided the main online bibliographical documentation work.

The online research engines connected with Sage Publications, Taylor & Francis Online Journals, SAGE Journals, Taylor & Francis, SpringerLink, Wiley Online Library, Directory of Open Access Journals (DOAJ), Emerald Journals (Emerald Group Publishing), Oxford Journals (Oxford University Press), Cambridge Journals (Cambridge University Press). The Google Scholar and Google Books guided in accessing current empirical data. After making an extensive review of these materials, there was a careful selection of those documents that deal specifically with fund management in a devolved system of governance in general and what scholars have written on the subject. The compilation and analysis focused only on that information which was relevant to the aims of the research. The headings that guided the literature selection and review were as follows: role of public participation in fund governance; workable strategies towards fund governance; and advocacy public participation in fund governance. This study was carried out in Meru and Tharaka Nithi Counties, which are located in the former Eastern province of Kenya or the current Mt Kenya East region and it targeted two Sub County from each county which was sampled purposively. The researcher used key informants, affected citizens and focus Group Discussions in both Meru and Tharaka Nithi Counties. The research was conducted in Meru and Tharaka Nithi Counties and through purposeful sampling it had two case studies of from each county Meru and Tharaka Nithi. Data was collected using guided interviews and semi structured questions. The data was collected through a focus group discussion, documents and audio-visual materials. The interest of the researcher was guided by the need to collect in depth data essential to qualitative research.

4.0 Research Findings from Literature Review

4.1 Devolved System of Governance in managing funds in counties in Meru Community

Devolution involves the transfer of functions, resources and power to sub-national levels. These levels, for example local Government assume full responsibility and accountability for the specified functions (Oman, Kaburi & Sewe. 2012). Governance carries multiple connotations including decision making authority, resource allocation, financial probity, regulation, oversight (Thomsen, 2004). Governance is multi-form, multi-faceted and multi-level phenomenon. The multi-form element is recognizable in the vanity of its manifestations such as integrated governance, corporate governance, and system-wide governance. Its multi-faceted aspect is recognizable in its usage for diverse purposes such as financial viability. Its multilevel nature is evident in the tiers of responsibility both devolution and good governance contributes positively to the processes of citizen participation and management which is effective, responsive and accountable to the stakeholders. This is because devolution policies enable citizens to take part in the decisions that affect their livelihoods.

Good governance creates an enabling environment for sustainable development (Winchester & Storey, 2008). Among the more prominent arguments for devolution is the issue of efficiency: Devolution is more than ever regarded as a means of achieving greater efficiency in a globalized environment (O'Brien, Pike & Tomaney, 2003). From this perspective, the greater the degree of autonomy, the stronger the scope for enhanced efficiency in public spending leads to efficient public service delivery. Indeed the expectation that decentralizing functions to the lowest feasible level of decision making and implementation will optimize information flows and reduce transaction costs (Winchester & Storey, 2008). Thus, a decision to devolve is often based on the

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failure of central government to deliver, such as in revenue collection or in service delivery. Devolution has further been seen as an avenue to democratic deepening within an enterprise, with constitutional or legal boundaries diminishing friction with the Centre that could otherwise undermine the enterprise. Besides concern with efficiency in service delivery, devolution can also resolve "over-centralized misgovemance, its outcomes leading to greater consensus in decisions" (Omari, Kaburi & Sewe 2012).). This efficiency through devolution' argument is at the heart of recent devolutionist and new regionalist discourses. The argument has been used in many different contexts. Ronald Reagan resorted to it in his new federalism initiative as a way to justify transfers of powers to the states (Donahue 1997).

4.2 Devolution and public participation in governance of counties in Meru Community

Participation is the process through which locals are involved in decision making and development initiatives. It is considered to be a legal prerequisite in government related projects in most countries. It promotes accountability as locals can own the decisions made and improve service delivery. It is also deemed as a platform through which the public can perform checks and balances against their representatives while guarding against the abuse of office and political interference. The right to participate in government is considered to be one of the features of good governance as it brings forth effectiveness, transparency and accountability in the discharge of public duties (Khobe, 2012). Public participation is a right that is guaranteed under the law and considered to be a tenet of good governance. Under Article 21 of the Universal Declaration of Human Rights (UDHR) and subsequent regional and constitutional provisions all over the world including Kenya, it is the right of every citizen to participate in decision making pertaining to public affairs. Devolved system of governance is therefore considered to be the most appropriate in promoting the right to participation through bringing the opportunities to get involved in decision making activities closer to the citizens.

It is credited with increasing opportunities for locals to participate in decision making process in state affairs. It brings services and leadership closer to the people thereby strengthening and enabling accountability. According to Khobe (2012) devolution is a means through which the right to participate can be realized. This is based on the African Charter on Democracy, Elections and governance which requires member states to decentralize power and ensure democracy at grassroots level. Devolution also improves representative democracy. Locals are able to not only air their opinions but also have their voice heard in an election process by voting in leaders of their choice. This further extends the democratic space as citizens can hold the elected leaders accountable for their actions through recognized institutions. Khobe (2012) focused on how devolution increases the prospects of public participation in Kenya and did a comparison of other jurisdictions including South Africa and Uganda. The study highlighted that legal and constitutional provisions were key in ensuring that public participation is actualized. However, it came to light that this still remains theoretical in Uganda and therefore this was a drawback towards implementation of decentralization in Uganda compared to its counterparts, Kenya and South Africa

4.3 Devolution and political representation in counties in Meru Community

Hanna Pitkin (1967) states that political representation as the process of making citizens' ideas and perceptions present in public policy making procedures. It occurs when political players act on the behalf of their locals or voters in the political arena. Devolution is considered to be a system

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that not only guarantees representation but improves the chances of representation of majority of the people in the county. Kenny (2012) looked into relationship between decentralization and people's political representation. He found out that political parties are key in ensuring gender representation policy is implemented by ensuring increase in women's participation as per legal provisions. ActionAid (2014) looked into the prospects of political representation in the devolved system of governance in Zimbabwe. The study found out that through their elected councilors, people are able to express their opinions and give inputs in governance issues as well as the public services. However, there exists a challenge of politicization of civic issues whereby consultative and feedback meetings with communities tend to be structured along political parties and alienates those considered not to be inclined with the ideologies of the parties. Lyon (2015) while looking into the prospects of decentralization in Macedonia, examined whether decentralization improved political participation at the local level. His study revealed that political decentralization has mitigated tribal conflict through fostering effective participation of the minorities and also fostered the recognition of diversity by improving their political representation in decision-making processes. However, the study found that as much as decentralization had expanded opportunities for participation, it has failed to guarantee the effective participation of all doe to the dominance of some political outfits which lacked democracy within its ranks.

4.4 Devolution and public participation in decision making in counties in Meru Community

The other objective of the study sought to find out was the extent to which devolved system of government promoted public participation in decision making on development. This section presents information on factors influencing citizen participation and effectiveness of the awareness strategies by county governments. The question was about issues influencing citizen participation in Meru and Tharaka Nithi Counties, the respondents stated that availability of information and willingness of the citizens are some of the key issues that determine level or extent of participation. Some of the interviewees stated that they are aware of the general provisions that are encouraging citizen participation in the county government within the Kenyan Constitution and also embodied in the County Government Act, 2012. However, for the respondents, mainly businessmen, they stated that these provisions remain largely unknown to them and their reason for lack of familiarity with the provisions, was the failure to read the Constitutional provisions fostering public participation. Therefore, this reduced their levels of participation as their roles were not clear to them.

Others had a limited opinion on the role of citizens in governance while others opinioned that since the citizens had voted in leaders they trusted or one of their own, then their interests were adequately represented. Those who were aware of the right to participate chose to stay away due to the perception that their views would not be taken into account. Other interviewees also thought that the public have no capacity to participate while others are unfamiliar with what they are supposed to do in public participation. They reasoned that this could be due to lack of or ineffective civic awareness programs or lack of information from the county government. As to the question on what initiatives have been set by the county government to create awareness among the public on their rights and ways of participation in County government, there were conflicting answers between the county officials and the businessmen. The county officials believed that they had set out different initiatives and opportunities for citizen participation. Respondents from the business community however thought that the initiatives and opportunities

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set by the county government were not adequate. They stated that poor communication was the main challenge as they got to know about such opportunities when it's late.

4.5 Control Environment and Management of Funds in counties under Meru community.

According to COSO (2013), control environment forms the foundation upon which the other components of control systems are established. It influences the aspect of control consciousness in all the employees of an organization. According to ACCA (2014), "Control environment includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity." Generally, the entire control system in an organization is not just ensured by control environment but also involves other factors. However, this environment is a significant factor when assessing risks of material misstatement. If the control environment is weak, it will definitely jeopardize the effectiveness of the overall control system. The management of an organization is responsible for determining the control environment. This environment provides a framework inside which all other parts of internal control operate.

The elements of control environment include integrity, management philosophy and style of operation, ethical values, and employees' competency. Other aspects of control environment are: the direction given by the board of directors, the methods used by the management to assign authority and responsibility, and the way an organization develops its people. All stakeholders will recognize when an organization's control environment is good. The status of control environment is a strong indication of how seriously the management is executing its role in relation to internal controls. The concept of control environment is universal in that it affects, either positively or negatively, an organization's commitment to effective internal controls, accurate financial reporting, honest and ethical behavior. According to Sarens (2008), the internal audit function of a firm takes greater importance when integrity and ethical values are enforced. Likewise, accounting literature emphasizes that ethical values and integrity are fundamental in maintaining an effective control system. A study by Khamis (2013) established the existence of a positive relationship between internal control environment and the financial performance of a financial institution. In his research, Mawanda (2008) conducted a study on effects of internal control system on financial performance in Uganda's institution of higher learning.

The researcher sought to determine the causes of poor financial performance in relation to internal controls. He also aimed at establishing the relationship between internal control systems and financial performance in higher learning institutions in Uganda. He studied internal controls from the view of control environment while accountability and reporting liquidity were studied as the measures of financial performance. The findings of the study established the existence of a major relationship between internal controls and financial performance. Therefore, internal controls have a direct effect on organization's financial performance. A study by Amudo and Inanga (2009) sought to analyze the internal control systems that were put in place by member countries to carry out public sector projects funded by the African Development Bank. Fourteen public sector projects that were under the bank's portfolio were studied. The findings of the study revealed that some components of effective internal control systems were missing in those projects. As a result, the control structures were rendered ineffective.

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4.6 Control Activities and Management of Funds in counties under Meru community

Control activities are the directives and guidelines from the management of an organization to ensure orderly operations (Whittington and Pany, 2011).The control activities range from performance appraisal, analysis of actual expenditure against budgets, past and expected performance; information processing is about checking the accuracy, completeness and authorization of transactions; physical controls deal with securing both records documents and assets, and segregation of duties where several tasks should not be under one individual from inception to completion. Barra (2010) researched on the impact of internal controls and penalties on fraud, both managerial and non-managerial employees participated in the study. The results of the study showed that the presence of control activities coupled with separation of duties increased the cost of committing fraud. Therefore, for an employee to commit fraud, the benefit of committing fraud should be higher than the cost of engaging in fraud. Further, the study established that segregation of duties is the least-cost fraud deterrent for the non-managerial staff. However, for managerial staff, maximum penalties are the least-cost deterrents for fraud. The study findings suggest that the effectiveness of preventive control activities like segregation of duties is dependent on the established detective controls. The Public Procurement Oversight Authority (PPOA, 2007) pin pointed some elements that contribute positively to the strengthening of control systems in Kenya's procurement system.

The study noted that compliance with the established sound internal audit mechanism is one of these factors. The researcher ascertained that the Auditor General (AG) is ultimately responsible for audit functions across the government, including procurement. The AG through the Kenya National Audit Office, audits all Public sector departments in each financial year and the resulting report submitted to parliament. The Government also controls financial activities through the Integrated Financial Management Information System (IFMIS). IFMIS is a computerized system that increases efficiency in budgeting, control of expenditure, and financial reporting when managing public funds through higher levels of transparency and accountability (The National Treasury, 2017; USAID, 2008). According to the National Treasury (2017), IFMIS has several components which include plan to budget, procure to pay, revenue to cash, record to report, ICT to support and communicate to change. A study by Njonde and Kimanzi (2014) on the effect of integrated financial management information system on performance showed that the integrated financial management information system (IFMIS) enhanced internal controls, budgeting, and financial reporting. In his study, Chumba (2014) investigated the effect of integrated financial management information system on cash management in Eldoret West District treasury in Kenya. The study findings revealed that reliability and flexibility of IFMIS had a positive effect on funds management. The researcher noted that a reliable system is accurate, consistent, complete and timely in collecting information. The scholar further emphasized that the design that supports IFMIS should be secure from corruption, unauthorized access, breach of confidentiality and destruction so as to achieve efficiency in funds management.

4.7 Devolved system of government, and prospects of devolution in counties Under Meru community

Lumumba, Mbodenyi and Odero, in their book provide an in-depth assessment of the interface between constitutionalism and Kenya's new Constitution of 2010. They argue that the principles of good governance require institutions to be efficient, effective and consistent. Whereas devolution aids in development, good governance requires 'institutional capacity and mechanisms

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to ensure accountability through the capacity to monitor and enforce rules and to regulate societal activities in the public interest'. This book only anticipates what is required. In this study the researcher uses empirical research to determine the exact institutions that the County Government has put in place to promote the principles of good governance. Omollo examines Kenya's experience with devolved system of government, the challenges faced and prospects of devolution under a new Constitution. Her study notes that Kenya attained independence under a Constitution that provided for regionalism but the system was dismantled soon thereafter. During independence, municipal and county councils were established with a significant measure of autonomy under the jurisdiction of the regional assemblies. However, when the regional assemblies were dismantled, powers previously exercised by the assemblies were transferred to the minister for local government leading to dominance and control of local authorities by the central government.

The study proposes a well-designed devolution system to cure the weaknesses noted in the local authority system. One essential of this design is the entrenchment of devolution in the Constitution so as to surmount lack of political good will to implement it as happened at independence. The other essential is to enshrine mechanisms for citizen participation in the Constitution. Devolution and public participation are essential features of Kenya's new Constitution. What remains to be ascertained is how these novel provisions have been utilized specifically to empower Wananchi and bring about development. However, this article was written before the first devolved government came into office in 2013. In deed in 2013, the first devolved government was established. This research therefore analyses the structures the current devolved government has put in place since its establishment in office in order to achieve its development agenda and entrenching good governance.

4.8 Descriptive statistics on Financial Management in Meru and Tharaka Nithi Counties

The study sought to find out the level of agreement or disagreement with the following statements on effects of the fund management in Meru and Tharaka Nithi Counties that Financial reporting has been influenced; that able to mobilize funds in the government; that the system able to auto reconcile financial records; that the system able to improve on financial planning; that automation has eased the decision making process; that the system has improved the transparency on financial matters and that there is accountability on financial utilization influenced the financial management in Meru and Tharaka Nithi Counties. The findings were in line with Aminatu (2015) that in order to achieve effective financial management (related to financial sustainability), there ought to be sound planning for capital expenditure, the local government ought to strictly abide with legislation and other set guidelines in spending, doing financial planning and organizing local services (Thong, 2015). The results of this study were further supported by an empirical case study conducted by Cowell (2017), which found that the concept of accountability was undermined, while at the same time there was increased dependency on disbursements from the national government, a fact that negated the financial management of the devolved governments. The fact that financial management is crucial in respect of financial sustainability of county governments reinforces earlier findings by a study conducted by (Weeks, 2016). This implies that financial management was linked to financial performance in Meru and Tharaka Nithi county governments. These findings were also in line with those of (Ashkul, 2016) contends that financial management is mainly involved in rising of funds and their effective utilization to achieve the objective of the

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organization which is the wealth maximization. This implies that according to the findings, Meru and Tharaka Counties have good systems that ensure proper financial management.

4.9 Counties are the focal point of local economic, social and political development in Meru Community

Counties are given opportunity to manage and control their own resources. Adoption of devolution in Kenya was as a result of the failures of the centralized system of governance inherited from the British colony. At the time of independence, Kenya had inherited a history of highly centralized system of government coupled with regional inequalities and disparities. One of the principles of the devolved government is that it shall have reliable resources of revenue to enable them to govern and deliver services effectively. This is meant to ensure a stable financial base for County Governments that is not subject to the control and or manipulation of the national government so as to ensure counties have financial resources to implement their development purpose. It is on this basis that the Constitution under Article 202 provides for equitable sharing of national revenue between the national government and all the forty seven County Governments. While the Fourth Schedule to the Constitution of Keya 2010 pursuant to Articles 185(2), 186 (1) and 187(2) generally distributes developmental functions between the national and County Governments, a County Government's priority areas in development must reflect the need of the local community and inevitably vary from one county to another. Counties such as Nairobi, Mombasa, Kisumu and Nakuru which had considerable levels of development may not be compared to counties such as Wajir, Mandera, Garissa, and Turkana which had been marginalized for long.

The Constitution further provided for the Equalization Fund for poor counties to stir development. The Equalization Fund is to be used only to provide 'basic services including water, roads, health facilities and electricity to the marginalized areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible'. On 11th March 2016, President Uhuru launched a 6 Billion Equalization Fund for poor counties and expressed the confidence that it would spur public investment in the poor counties and hasten development to ensure equity in national development. By virtue of the Constitution, devolution must ensure equitable development and distribution of resources, opportunities and services in order to reduce the regional and ethnic disparities of the past. It must give the Kenyan people and communities the benefits of democratic and accountable exercise of power enabling them to participate and manage their own affairs of governance, economic and social development. Devolution aims to provide proximate services and ensure affirmative action for protection and promotion of the interests and rights of minorities and marginalized communities and groups.

4.10 Devolution and Development in Meru and Tharaka Nithi Counties in Meru Community

Unlike the regime under the repealed Constitution, which through systematic anti-people amendments had concentrated power under the Presidency, the Constitution of Kenya, 2010 created and granted County Governments the mandate to run their own affairs and ensure equal access to county resources, promotion of development, service delivery among others. Under the Constitution, County Governments are responsible for: county legislation; executive functions as outlined under article 183 of the Constitution of Kenya; and performance of the functions outlined under the Fourth Schedule. Part two of the Fourth Schedule of the Constitution of Kenya provides for the County Government functions which include: agriculture; county health services; control

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of air pollution, noise pollution, public nuisances; cultural activities, public entertainment; county transport; animal control and welfare; trade development and regulation; county planning and development; firefighting services and disaster management; controlling of drugs and pornography etc.

The County Government is also mandated to 'ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level'. After the 2013 general elections Kenyans were filled with optimism, hope and high expectations. Regions that had been marginalized such as North Eastern, Coast and Eastern saw in devolution a chance to have a fair share in national resources, equal employment at the local level, eradication of poverty through economic empowerment, decentralization of services, access to health, quality education and infrastructure, which had been centralized and not fairly distributed. Devolution received much support from Kenyans, the government, donor-aid agencies like World Bank and other stakeholders. In 2014, Ipsos Synovate indicated in its opinion poll that 69% of Kenyans supported devolution.273 Ipsos Synovate pointed out that in 2014 more than half of Kenyans (55%) could identify a development project in their counties owing to devolution. In 2015 in its second media release, Ipsos synovate found out that 78% of Kenyans supported devolution. In a press release by Twaweza- a Non-Governmental Organization- released on March 2016, it indicates that 8 out 10 Kenyans support devolution and are willing to pay taxes to the County Governments. This is a clear sign that Kenyans still believe in devolution.

4.11 Advocacy for Devolved Governance System in administration of counties in Meru Community.

In devolution responsibilities, resources and authority are transferred from higher levels of government to lower levels as one way through which the governed participate in governance (Muia, 2008). The central government cedes some powers to clearly defined sub-national geographical units (Katsiabuni, 2003). According to Manor (1999), in the administrative devolution there is a set of policies that transfer the administration and delivery of social services like education, health, social welfare, or housing to the sub-national units. Devolution is characterized by high autonomy and downward accountability. The sub-national entities are not directly accountable to central government though they have to work within set statutes and rules (Oloo, 2006). The Constitution of Kenya 2010 reversed the centralized non - participatory governance paradigm by institutionalizing a devolved governance system. To date a number of key steps have been taken example passage of key devolution related legislative reforms, followed by general elections in March 2013 that established a new governance structure.

County governments have full prerogatives that allow them to manage and develop their own affairs while fostering, social, economic and political development. Their powers also extend to agriculture, transport, trade development and regulation, pre-primary education and planning and development. Their structures include governors, county women representatives, county ward representatives and senators who represent the counties at the national level. The Transitional Authority established by schedule six of the constitution facilitates and coordinates the transition to a devolved system of government. County governments have taken over institutional structures of the local government authorities including office premises, staff, assets and liabilities of the local government that functioned under the former constitutional dispensation. With the transfer

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of shared functions from the national government to the County Government now substantially done, it is the mandate of every County Government to decentralize its functions and provision of services to the extent that it is efficient and practicable to do so. The National Ministry of Planning and Devolution records its major achievements in the past three years to date, as establishing a strong devolved system of government.

It records six achievements it has spearheaded under the devolved system of government. First, it has facilitated the transition process and operations at the County Government through provision of startup funds, human resources and physical infrastructure. Second, the transfer of functions to the devolved government has been fully completed as provided for under the constitution of Kenya thereby improving public access to facilities. The transfer of functions from the national government to the County Government was a challenge facing the devolved system of government. Third, it has 'facilitated the setting-up and operationalization of Inter-Governmental mechanisms including the National and County Government Coordination Summit; the Inter-Governmental Sectorial Forums and Inter-Governmental Relations Technical Committee'. Fourth, it has enhanced capacity building at the county level through training, induction, technical assistance, institutional support and civic education. Fifth, it has improved the legislative process at the county level through development of model laws and training of relevant officers. Finally, the ministry has developed a funding framework for the County Governments.

5.1 Discussion of the study findings

Participation is the process through which locals are involved in decision making and development initiatives. It is considered to be a legal prerequisite in government related projects in most countries. It promotes accountability as locals can own the decisions made and improve service delivery. It is also deemed a platform through which the public can perform checks and balance against their representatives while guarding against the abuse of office and political interference. The right to participate in government is considered to be one of the features of good governance as it brings forth effectiveness, transparency and accountability in the discharge of public duties (Khobe, 2012). Public participation is a right that is guaranteed under the law and considered to be a tenet of good governance. Under Article 21 of the Universal Declaration of Human Rights (UDHR) and subsequent regional and constitutional provisions all over the world including Kenya, it is the right of every citizen to participate in decision making pertaining to public affairs. Devolved system of governance is therefore considered to be the most appropriate in promoting the right to participation through bringing the opportunities to get involved in decision making activities closer to the citizens. It is credited with increasing opportunities for locals to participate in decision making process in state affairs. It brings services and leadership closer to the people thereby strengthening and enabling accountability.

According to Khobe (2012) to devolution is a means through which the right to participate can be realized. This is based on the African Charter on Democracy, Elections and governance which requires member states to decentralize power and ensure democracy at grassroots level. Devolution also improves representative democracy. Locals are able to not only air their opinions but also have their voice heard in an election process by voting in leaders of choice. This further extends the democratic space as citizens can hold the elected leaders accountable for their actions through recognized institutions. Khobe (2012) focused on how devolution increases the prospects of public participation in Kenya and did a comparison of other jurisdictions including South Africa and Uganda. The study highlighted that legal and constitutional provisions were key in

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ensuring that public participation is actualized. However, it came to light that this still remains theoretical in Uganda and therefore this was a drawback towards implementation of decentralization in Uganda compared to its counterparts, Kenya and South Africa. Hanna Pitkin (1967) states that political representation as the process of making citizens' ideas and perceptions present in public policy making procedures. It occurs when political players act on the behalf of their locals or voters in the political arena.

Devolution is considered to be a system that not only guarantees representation but improves the chances of representation of majority of the people in the county. Lyon (2015) while looking into the prospects of decentralization in Macedonia, examined whether decentralization improved political participation at the local level. His study revealed that political decentralization has mitigated tribal conflict through fostering effective participation of the minorities and also fostered the recognition of diversity by improving their political representation in decision-making processes. However, the study found that as much as decentralization had expanded opportunities for participation, it has failed to guarantee the effective participation of all due to the dominance of some political outfits which lacked democracy within its ranks. The reviewed literature revealed that the most outstanding impact of public sector reforms was the change of government role from regulation and control to facilitation. Under public sector reforms the operation of government business tremendously changed from highly hierarchical systems to different forms of dispersion and decentralization of public service delivery. Using the NPM-based reforms many countries attempted to redefine the role of government by separating functions into different agencies and downsizing to create leaner and more rationalized organizational structures, systems and flexible processes. Decentralization was an attractive reform agenda to developing countries especially in Africa where over thirty out of fifty-four Countries practiced some form of decentralization in public service delivery (Mookherjee, 2014; Juma, Korir & Mulongo 2014). Under public sector reforms, decentralization was considered an important initiative to enhance capacity of lower levels of Government to conform to service delivery benchmarks and standards (Hope, 2015). After trying different methods since independence, Kenya's decentralization initiatives crystalized into devolution upon promulgation of the new constitution (GOK, 2010

Devolution is the statutory delegation of powers from the central government of a sovereign state to govern at a sub-national level, such as a regional or local (Oketch, 2017). Devolution generated a lot enthusiasm and several frameworks to enforce ethical standards were developed. The most comprehensive was developed by the Public Service Commission of Kenya [PSCK] (2015) framework to operationalize the constitutional and other legal and regulatory provisions to enforce ethical standards in the public service. Despite the express constitutional provisions (Article 190) for cooperation between counties and national government, Juma et al (2014) observed that confusion still lingers whether devolution is decentralization or federalism which often led to antagonistic relationship and confusion about the actual point of responsibility and accountability. Devolution in Kenya had the immediate benefit of improved equity since public resources hitherto concentrated at the center were channeled to all 47 County governments leading to expanded services to the whole Country (Korir, Rotich & Bengat, 2015). However, Wagana, Iravo and Nzulwa, (2015) described Kenya's devolution as partial decentralization since many responsibilities were shared with national government. With respect to financial management for example, the Public Finance and Management Act (2012) gave national treasury inordinate power to disburse funds to Counties.(Soomro and Chandio, 2014) in their research entitled challenges to

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good governance, a case study of issues on local government systems of Pakistan argues that local government can play a vital role in creating good governance because local government aims at providing basic facilities to the citizens and shares powers at grass roots level, but unfortunately the system of local government in Pakistan was implemented by military rulers and they used it for their own purposes as well as to prolong their rule.

The local government should be drafted according to the needs of particular area, covering the needs of masses instead of a particular political party or group. Another reason is low literacy ratio, Pakistan is one of from those countries which have low literacy ratio, due to that reason majority of people living in the villages are not fully aware about the importance of vote, and this reason leads towards feudalism, Peri-murshdi and land lord system, particularly in villages. Stable local government is the assurance of welfare of all and it will surely strengthen the good governance, because it is participatory and accountable, without stable local government the concept of good governance will remain a mythical story, it is the duty of elected government to strengthen the local government system in the country. Accountability theory was explained by Vance, Lowry and Eggett (2015) as an inner obligation one feels about his behavior to fellow colleagues making the person obliged weigh his/her actions, decisions and judgments. The composition of a county is three fold; the governor and his executive, the county assembly and the public service board. Policies are made by executive composed of Governor, his deputy and county executive committee members who have the mandate of formulating and implementing all county policies and decisions. The county assembly deals with legislature, making laws for the county, has an oversight role over the executive and scrutinize county budgets. It is composed of the speaker, his deputy, clerk to the county assembly and five elected members from the assembly. The county public services board of a handles all staffing matters in the county. It deals with all matters of adverting, selection, short listing, interviewing, recruiting, induction, deployments and sackings. Governance theory as stated by Chhotray & Stoker (2009) is the practice of collective decision making and most researchers attest to the fact that team work in governance is useful.

Good governance entails creation of institutions in an organization capable of assisting both the governor and the county executive committee members formulate policies both within and outside the county. Governors as stewards of counties should steer counties to greater heights during their tenure of office. In a county a governor executes his mandate as chief executive officer of the county assisted by his cabinet in directing the policy decisions of the county. A governor need not take unilateral decision without advice from his cabinet because any decision taken by the governor unilaterally without consulting his advisers might affect the county adversely. The county cabinet is composed of the ministers is an administrative arm in a county government in charge of policy implementation. Members of the cabinet have to take decisions collectively for the benefit of the people of Meru. Attributes of good governance which governor should have include good leadership, steering a county towards a vision, aligning the county with realist goals and effective administration. Devolution of government services is one of the key principles of the 2010 Kenyan constitution in which counties have been envisaged as the primary units. These units are mandated to receive reliable sources of revenue by the constitution to enable them be self- governing and deliver services effectively. Following the devolution of health services, there have been cases of health workers downing their tools citing poor pay, poor working conditions among other problems.

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In fact, a study by Khaunya, Wawire and Chepng'eno (2015) on devolved governance in Kenya revealed that counties had been faced with a myriad of challenges that stand in the way of the realized achievements. These challenges include inadequate funding, corruption, nepotism, inability to absorb some devolved functions, mistrust among stakeholders, and different implementers of devolution with varied cultures and approaches, devolved bureaucracy and a bloated workforce with duplication of duties. The study also revealed that devolved functions such as health had been riddled by challenges to an extent that medical staffs had resisted their function being placed under County Government's public service. Cases have been also documented where executive arm of the national government is reluctant in devolving some funds meant for county development programs curtailing service delivery such as the payment of salaries and other grass root developments by the county governments (Abdumlingo & Mugambi, 2014)

6.1 Conclusion

There has been increasing awareness around the world in regard to the need for better governance and accountability in the management of public finances. Numerous countries and counties have been putting a lot of efforts towards eradicating corruption by enhancing detection mechanisms and reducing the incentives that propel people to engage in corrupt deals. However, a lot still remains to be done in this endeavor. According to the Constitution of Kenya (2010), public finance management is supposed to adhere to the openness and accountability principle in the management of public finances. Public officers given the responsibility for managing the finances are accountable to the public through the County Assemblies and the national parliament. County accounting officer are accountable to the county assembly for ensuring that the county resources are used in lawful, authorized, effective, efficient, economical and transparent manner. The accounting officers are supposed to ensure that the counties keep appropriate financial and accounting records that are also adequately protected and backed up electronically. They are also responsible for ensuring that all applicable accounting procedures are followed when acquiring or disposing of goods and services. Public participation is a pivotal factor in the budgeting process as optimal participation by the public reduces instances of fractious processes and the budgets captured the wishes of the masses. The essence of assuring public participation is requisite in the quest to have openness in budget making. It is clear that public participation is of essence in the determination of the appropriations to be made to the various votes. In the Kenyan situation, the Constitution of Kenya (2010) clearly stipulates that County Assemblies should capture the views of the public while formulating the budget estimates of the county governments by way of assuring public participation (Constitution of Kenya, 2010). This is by virtue of the fact that the MCA‟s have a constitutional contract with the public thus the need to ensure their views are captured in the budget making process. The MCA‟s are equally charged with a legal duty to consult the electorate with a view of getting their sentiments incorporated in the budget making process.

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