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DETERMINANTS OF FINANCIAL TRANSPARENCY IN COUNTY GOVERNMENTS IN KENYA: A CASE STUDY OF MOMBASA COUNTY GOVERNMENT

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ABSTRACT

In the year 2010, Kenya passed a new constitution which introduced County government. The main purpose was to bring administration and development closer to the people by devolving revenues which would enable county governments to develop its area of jurisdiction. However this has not been the case almost six years down the line. The objective of this study therefore was to investigate the determinants that affect financial transparency in the county government, a case study of Mombasa County Government. The dependent variable in this study was financial transparency while the independent variables included Audit, Accounting policies, financial accounting disclosures and financial management systems. The study was guided by the Agency Theory, The Legitimacy Theory and Peacock and Wiseman Theory. The researcher employed descriptive research design and analytical research design to explain the relationship between the said independent variables and the dependent variable. The target population for the study comprised of one hundred and forty seven employees of Mombasa County Government in finance and administration department out of which one hundred and seven were selected as the sample using a simple random technique. The researcher used both primary and secondary data collection methods. A simple regression analysis was done to determine the relationship between independent variables and the dependent variable. Data was analyzed using SPSS version 23 and results indicated that majority of respondents agreed that financial transparency was affected by auditing, accounting policies, financial accounting disclosure and financial management systems. The study had an overall P-value which less than 0.005 (5%). The regression model summary indicated a coefficient determination R square as 0.612 meaning that 61.2% of the relationship was explained by the identified four variables namely auditing, accounting policy, financial accounting disclosure and financial management systems. The study ANOVA results indicated that the model was significant at F=34.328 , p-value = 0.000, showing that that the overall model was significant and that financial management systems, auditing, accounting policies and financial accounting disclosure significantly affects financial transparency in Mombasa County government

Key terms: Audit, Accounting policies, County Government, Financial accounting disclosures, Financial management systems, Financial transparency

INTRODUCTION

Devolution has been defined as the transfer of natural resources management from central place to locals and institutions located within and outside of Government. (Edmunds et al.2003).This is the transfer of rights and assets from the central Government to local Governments or communities within the context of national laws. (Sayer et al, 2000). As many countries embrace this type of administration, the issue of transparency in revenue collections and utilization is crucial because they form the foundation of success or failure. (World Bank, 2000).Many African countries have admired how European Countries take their devolution thus leading them to adopt the system hurriedly or without proper structures (Payne, 2011). According to Ola and Tonwe (2009), well managed devolution can propel the country into greater economic development which is well sustainable as each region has its own problems which has unique approach in solving them.

The economic downturn and the responsibilities and performance of many public officials with respect to the management of the public administration have renewed demands for democratization and accountability. In this context, transparency becomes a necessary tool for the public to monitor and evaluate the performance of their representatives and public servants. Furthermore, transparency becomes an important component of good governance and institutional quality, which in turn, are proven drivers of economic growth and public welfare (Knack and Keefer 1995; Williamson, 2000; Acemoglu, Johnson and Robinson, 2002; Kaufman and Kraay, 2002).

There are many definitions of transparency but all of them agrees with the information accessibility at the core meaning. For instance, Kaufmann and Kraay (2002) define as the increased flow of timely and reliable economic, social, and political information, accessible to all relevant stakeholders. This definition may be applied to several public activities. For instance Islam (2004) focuses on the timely availability of economic data. However, transparency may also be focused on political markets. Whatever the case may be, transparency is always a necessary condition for accountability, since access to information constitutes the first step in accountability processes (Meijer, 2003).

In addition, improving transparency to reduce corruption has been the focus of a broad literature (Blumkin and Gradstein, 2002; Lindstedt and Naurin, 2010; Peisakhin and Pinto, 2010; among others). Alesina and Perotti (1996) identify two theories, the fiscalillusion and principal-agent theories, to explain why politicians are not encouraged to adopt the most transparent practices. Nonetheless, greater transparency acts to minimize the moral hazard problem by facilitating public control, which is linked to less corruption. As stated in the seminal paper on the economic theory of crime by Becker (1968), the probability that an individual commits a crime depends on the assumed risk, the possible gain, and the probable punishment. Transparency works by increasing the risk of being caught. However, transparency alone may not be sufficient (Kolstad and Wiig, 2009 Lindstedt and Naurin, 2010), and we need other accompanying mechanisms (sanctions, social embarrassment, education, media circulation, etc.).

Mombasa County is part of formerly Coast Province covering an area of 229.7km2 of dry land and 65km2 of water divided into six parliamentary constituencies namely Changamwe,Jomvu,Kisauni,Nyali,Likoni and Mvita.It bonders Kilifi county to the north, Kwale county to the south west and the Indian ocean to the East. According to the Kenya population and Housing census , Mombasa county had a population of 939, 370 persons (N.B.S,2009) and currently estimated to be 1.2 million peoples by

2017 with a poverty level estimated to be 37.60% of the total population. Just like any other county in Kenya, Mombasa County generates its revenue from Local revenue, equitable share from central government, conditional grants, loans and donor funding (CoK, 2010). As at January 2017, Mombasa County had received an amount of kshs 16.4B as Equitable share from the central government. (Http//www.delivery.go.ke, visited last on June 5th 2017). Going through the 2015/2016 financial year Mombasa Budget, the County received kshs 5.7 billion as equitable share from the government and kshs 5Billion from local sources. Despite receiving these funds and its own locally generated funds, there has been issues raised that there is no transparency on how same is being utilized as highlighted by the Auditor general reports for the period 2014/2015. However, those concerned have come out openly and defended themselves that they follow all the laid down procedures in the management of the county resources.This has led to one question, what is the problem then? It is in the record that the President of Kenya and Mombasa Governor have publicly exchanged words because of the utilization of the county resources, whereby the President accused the County chief of misusing funds. The issue which comes to the mind in this scenario is that there is no transparency, as the citizens are not aware of what's happening and on the other hand, county officials although they claim to follow laid procedures, and then seem not to update residents of what's happening.

Devolutions play a critical role in the development of any economy as each individual state is left to deal with problems affecting the individual state or County. (Myles, 2007). Before introduction of county government in Kenya, there was hue and cry from certain regions in Kenya that the central government is neglecting them on development. As a result, there was need to restructure the government and accommodate all regions by transferring some of the responsibilities of the state to lower tiers of government (Ahmad, *et al*, 2005). Today, there is a deliberate effort by the central government to distribute the resources through the county governments. The great importance attributed to improving transparency and, in consequence, to information and transparency in the context of public administration reforms has given rise to studies focusing on the area of governmental financial information (Mack, Stanley and Jennings, 2008; Bolivar, Pérez and Hernández, 2007). These studies have concluded that public administration institutions, through the creation of governmental websites, are opening up considerably, and that these websites constitute a fundamental element in raising citizens' confidence in the use of public resources (Tolbert and Mossberger, 2006), for designing a new form of democracy (e-Democracy), and for combating corruption (Kim, Kim and Lee, 2009; Shim and Eom, 2009).

Study Objectives

- To determine the effects of Auditing on Financial Transparency in County Government in Kenya.
- To determine the effect of accounting policies on Financial Transparency in County Government in Kenya.
- To determine the effect of Financial accounting disclosures on Financial Transparency in County Government in Kenya
- To determine the effect of Financial Management system on Financial Transparency in County Government in Kenya.

LITERATURE REVIEW

Theoretical framework

Principal-Agency Theory

The Agency theory was developed by Ross (1973) and Mitnick (1974), independently and almost concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, though the basic concepts underlying these approaches are similar (Mitnik, 2011) and its one of the most applied theories in accounting and finance. The agency theory exists where there are two parties, Principal and agent, and the principals empowers the agent to work on his behalf, with an objective to maximize the economic wealth. (Adelopo,2010).The theory postulates that the day to day activities of the business are carried out by the managers as agents on behalf of the principals who are the shareholders. Under this study, this theory will explain the role the county officials are supposed to undertake as agents on behalf of citizens who are the principals. How the finances are utilized in the county governments as there seems to be a problem due to lack of transparency.(Bernet,2013). However the main challenge of this theory is to get agents to either set aside their self-interest ,or work in a way such that they will maximize their personal wealth while still maximizing the wealth of the principal, which in this case it will be to better the living conditions of the citizens. According to Anderson, Francis & Stokes,(2003) for this to be achieved, the agents must therefore be transparent in all their undertakings so that the principal can know exactly what's happening at each and every stage.

The Legitimacy theory

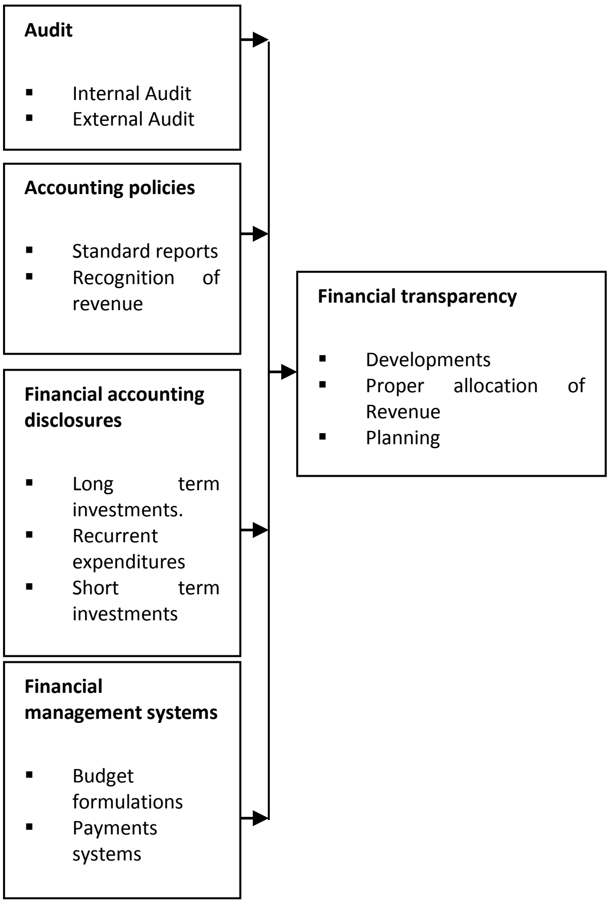
Legitimacy theory can be defined as a generalized perception or assumptions that the actions of an entity are desirable, proper and appropriate within some socially constructed systems.(Suchman,2005). The theory seeks to ensure that entities operate with the bounds and norms of their respective societies (Deegan, 2002). The theory explains why organizations carry out some practices beyond of what its expected of them by regulators. The theory advocates that organizations must disclose all its activities so that the stakeholder at any given time is aware of the organizations activities. According to Owen,(2002),the organization seeks to legitimize its existence to society by voluntarily disclosing social information in their financial information with a view to explain to society how it operates. In reference to this study, due to increased demand for information, county governments should disclose how it's earning revenue and at the same time how its utilizing the same so as to provide proper and accurate information to the citizens. By so doing, they will be embracing the transparency principle and that there is nothing to hide hence legitimizing their status in the society.

The Peacock and Wiseman Theory

This theory focuses on the growth of public expenditure and it was developed by Peacock and Wiseman in the study of public expenditure in the United Kingdom for the period 1890-1955.The theory postulates that the general public is basically tax averse while on the other hand the Government has a natural desire to spend. In the process of spending, the government fails to be transparent hence the citizens become concerned how their taxes are being utilized. (Keen, 2002).This theory explains how public expenditure in our local governments has increased yet they can't tell exactly how tax have been utilized.

Conceptual framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation.Mugenda and Mugenda (2003) and Smith (2004) define a conceptual framework a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. Kothari (2004) defines an independent variable also known as the explanatory variable is the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain. The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them. Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature (Creswell, 2003). Below is a figurative representation of the variables to be explored by this study.



Independent Variables   Dependent Variables

Figure 1: Conceptual framework

Audit

Auditing has been defined as the assessment of accounting transactions and records with an intention of ascertaining their accuracy and compliance with relevant statutory provisions, (Badara, 2012). Domingues and Arezes (2011) also explained auditing as systematic and independent process which works under documented process with a view to obtain evidence to enable the auditor to make a decision.. Auditing is performed in order to ensure the proper and effective use of public funds and proper admistration of resources according to Wang and Rakner (2005). Audit is applicable to all public organizations, in order to ensure the culture of accountability, integrity, legitimacy and value for money for all public development projects. Proper auditing plays a significant role in promoting financial transparency (Zinyama, 2013).It is very essential that financial transparency plays a pivotal role in public sector financial management, and it's very crucial in decision making for policy makers as it involves tracking and reporting on allocation, disbursements and utilization of financial resources, using tools of auditing, budgeting and accounting (Brinkerhoff,2004) .In Kenya, just like any other places, there is a tendency by public officers to misuse public funds intentionally with a notion that no one cares as they are just public funds. As a result, in order to solve this issue, auditing becomes very crucial so that these public officers may become transparent in their actions hence being accountable (Fatemi and Behmanesh, 2012). County governments can come up with internal audit department which would aid in setting up internal controls which are suitable to its activities. Also, citizens and Non-Government organizations can push for financial transparency by demanding all public officers to sign code of conduct. Auditing for county governments is fundamental for ensuring effective and efficient stewardship reporting for all public officials (Mwangi, 2003). By so doing the citizens will get the value of their tax. As for external auditing, the Auditor General is tasked to undertake the process and report to the public on how the taxes are being used.

Accounting Policies

According to government report (2004) unlike most private sector organizations, governmental entities must be responsive to a number of different groups and organizations, including elected officials, other units of governments, investors, creditors, and citizens that are focused on monitoring their activities. All forms of monitoring include collecting and interpreting data, and this oversight function is often performed through information provided in governmental reports. Among the most important types of communication is the annual financial report, which presents the financial position, operating results and cash flows for a particular accounting period. All counties develop their annual financial reports in accordance with principles established by standard-setting authorities to provide consistency and comparability for users. For governments to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users. Financial reports must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus such as capital budgeting and maintenance. Additionally, differences exist in the amount of detail that various users need. Consistency in financial reporting by governments is provided through accounting standards. GASB is the standard-setting authority of generally accepted accounting principles (GAAP) for state and local governments, including school districts. In cases for which no GASB pronouncement is applicable, other authoritative sources of guidance exist. There is a hierarchy of GAAP in descending order of authoritative literature for governments. The hierarchy was established in Statement of Auditing Standards (SAS) 69, The Meaning of Presents Fairly in Conformity with Generally Accepted Accounting Principles in the Independent Auditor's Report, effective March 15, 1992, and issued by the American Institute of Certified Public Accountants (AICPA).

Financial accounting disclosures

An accounting disclosure is a statement released by a company, business, or corporation that identifies the financial strategies that are being used and reveals things like costs and profits for a certain calendar period. Financial statements include, but are not limited to, the balance sheet, the statement of cash flows, the income statement, and the statement of stockholders' equity. Various authors have argued that visibility is a determining factor of disclosure (Ingram, 1984; Laswad*et al,* 2005; Lim and McKinnon, 2003; Zimmerman, 1977). The study by Zimmerman (1977) shows that press and public media influence the agency relationship. Lim and McKinnon (2003) find a positive correlation between political visibility and voluntary disclosure of financial information. Laswad et al (2005) find a positive association between the frequency of press reporting of local government activities and the voluntary use of Internet financial reporting by local authorities. Legitimacy theory also argues that the most visible entities will disclose more information, due to the pressures they face (Cormier *et al,* 2004; Magness, 2006). Transparency initiatives often rely on costly investment in technology and expertise (Roberts 2011). Cost barriers have been correlated with the willingness of public organisations to be transparent by disclosing important public data (Bolívar *et al,* 2013;Piotrowski 2008). Budget constraints may therefore limit the range of spending options available to organisations. Thefull disclosure principle of most legal systems requires that any event that would have an impact on the financial statements should be revealed, and the laws of many countries set out specific guidelines for both how and when disclosures need to be made. Companies often release this sort of information in their annual reports, but there are a number of acceptable publication methods in most places. How a county manages its finances affects its developments and this information is really important to the government and the public. In some ways the disclosure also forces Counties officials to be honestwhich can prompt leaders to make positive changes by disclosing complete and accurate accounting information (Piotrowski 2008). Financial statements are used by both internal and external parties to plan for the future, but they can also be a means of identifying fraud and the misallocation of assets. Counties are often particularly susceptible to ethical violations and breaches of trust that can lead to enormous gains in the short term but criminal ramifications in the long term. A disclosure statement is where the numbers must be presented honestly, which often exposes potential problems **(**Bolívar *et al,* 2013).

Financial Management Systems

Padila*et al*,(2012) in their study on financial sustainability for non-profit organizations ,they concluded that financial management systems is essential in enhancing transparency, efficiency ,accuracy and accountability which enables the organization to achieve its objectives. It involves keeping accurate records of all financial transactions, linking the budget to the firm's strategic and operational plans. (Hendrickse, 2008) .Proper financial management system discourages corruption as all transactions are recorded and only few personnel have password to alter information already fed in the system. In Kenya, IFMIS was introduced to automate the public finance tasks and processes. The aim was to improve work practices thereby enhancing the transparency. The systems approaches the public finances in a holistic approach of planning, budgeting, cash management, asset management, debt management, auditing, and funds transfer all these with a view to increase transparency and accountability in the service performance and service delivery. (Cok, 2010). The systems track all financial events and summarize all the information. A strong financial management is a boost to economy growth and development since it ensures all the government resources are well utilized and it has been identified as a key in financial transparency (McKinney, 2004).Also, the constitution has spelt out the process under which the budget formulation should undergo before it's finally tabled to the County assembly for adoption. The essence is to make all stakeholders have a say in what exactly they want the county government to undertake and thus increasing the transparency of the resource allocations.

METHODOLOGY

This research adopted a descriptive and analytical research design on determinants that affects financial transparency on County governments in Kenya. This design allows collection of data to describe the characteristics of the variables in a situation. (Sekaram, 2006). The Finance department was preferred as this was the department which dealt with financial statements and budgeting hence its easier to get the information and any explanation that the researcher will deem relevant for the purpose of this research.. The researcher used the formula adopted by Krejcie & Morgan (1970) and Rukangu (2000) as cited in Njoroge, (2012) to come up with a formula for determining sample size for the population size.

$$n = \frac{N}{1 + Nxe}$$

$$n = \frac{147}{1 + 147\,x\,(0.05)e}$$

$$n = 107$$

Where *n* is the sample size

N is the target population

e is error term

The analysis of variance (ANOVA) was checked to reveal the overall model significance. In particular, the calculated f statistic was compared with the tabulated f statistic. A critical p value of 0.05 was used to determine whether the overall model will be significant or not. A multivariate regression model was used to link the independent variables to the dependent variable as follows:

$Y = β0 + β1X_1 + β2X_2 + β3X_3 + β4X_4 + ϵ$

Where,

Y–Financial Transparency

X_1 –Auditing

X_2 – Accounting policies

X_3 – Financial accounting disclosure

X_4 – Financial management systems

Є= Error term

In the model, β_0 = the constant term while the coefficient β_i = 1….4 was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X_1, X_2, X_3 and X_4. Є was the error term which captured the unexplained variations in the model.

RESEARCH FINDINGS

Table 1: Financial Transparency

	N	Minimum	Maximum	Mean	Std. Deviation
Overall implementation success of projects.	92	2	5	4.03	.895
Level of projects development.	92	2	5	4.05	.701
General Performance of the projects.	92	2	5	4.10	.727
Efficiency and effectiveness in the county government.	92	3	5	4.01	.602
Objective achievement	92	3	5	3.67	.767
Valid N (listwise)	92				

Majority of respondents strongly agreed that there had been success in implementation of projects as indicated by a mean of 4.03 and standard deviation of 0.895. The level of project development in county government respondents, strongly agreed with a mean of 4.05 and standard deviation of 0701. The respondents were asked on the general performance of the projects. The respondents strongly agreed that general performance has been good as shown by a mean of 4.10 and standard deviation of 0.727. It is believed that efficiency and effectiveness in the county government was key to the performance of county government indicated with a mean score of 4.01 and standard deviation of 0.602. However, on achievement of objectives by the county government majority disagreed that there has been achievement of objectives initiated in the county government. This is indicated by mean score of 3.67 and standard deviation of 0.769. Chen et al (2007) studied critical success factors for projects in Taiwan and in their conclusion they stated that there several factors that success of projects such project owners, team-members, vendors, politicians and other related stakeholders who are directly or indirectly involved in the work all significantly influence the success of the projects.

Table 2: Auditing

	N	Minimum	Maximum	Mean	Std. Deviation
There is a clear audit system in our county government	92	3	5	3.60	.575
External audit from the office of audit general is done as per audit principles.	92	3	5	4.30	.550
All projects in the county are regularly audited	92	2	5	4.08	.929
The internal control systems are strong	92	2	5	4.15	.678
Valid N (listwise)	92				

Majority of the respondents disagreed that there was a clear audit system in the county government this is shown by a mean of 3.60 and standard deviation of 0.575. This showed that the county government had not put in place a good audit system. Proper auditing played a significant role in promoting financial transparency (Zinyama, 2013). Commending on whether external audit from the office of audit general did carry out the audit as per audit principles majority of the respondents strongly agreed with a mean score of 4.30 and standard deviation of 0.550. As to whether all projects in the county were regularly audited, most of the respondents strongly agreed with a mean of 4.08 and standard deviation of 0.678. On the internal control systems, majority of the respondents strongly agreed with a mean of 4.15 and standard deviation of 0.678. Internal controls were very crucial to make sure public officers are accountable (Fatemi and Behmanesh, 2012). It is recommended that County governments can come up with effective internal audit system which assisted in auditing to ensure effective and efficient stewardship reporting for all public officials (Mwangi, 2003).

Table 3: Accounting policies

	N	Minimum	Maximum	Mean	Std. Deviation
The reports are done according to accounting reporting standard in this county.	92	3	5	4.22	.571
All revenue are accounted for in our county as per accounting standards	92	2	5	4.35	.870
All expenditures are correctly accounted for as per accounting standards	92	3	5	3.72	.652
Valid N (listwise)	92				

Majority of the respondents strongly agreed that the reports were done according to accounting reporting standard in this county. This was indicated by a mean of 4.22 and standard deviation of 0.571. This showed that the Mombasa County have adapted acceptable accounting reporting standard. All revenue are accounted for in county as per accounting standards, majority of the respondents were in agreement with this statement as indicated with a mean of 4.35 and standard deviation of 0.870. As stated earlier, revenue collections and utilization is very crucial in determining success or failure of the County. As concerns whether all expenditures were correctly accounted for as per accounting standards, respondents agreed with this statement with a mean of 3.72 and standard deviation of 0.682. This not only increased productivity in the County but, also enabler of achievement of macroeconomic policy objectives (Bertelli 2010).

Table 4: Financial accounting disclosure

	N	Minimum	Maximum	Mean	Std. Deviation
There is a clear plan of all long term projects	92	2	5	4.01	.749
All long term projects are well budgeted for	92	3	5	4.12	.693
There is a strategic plan on long term expenditure	92	2	5	4.01	.703
Valid N (listwise)	92				

Majority of the respondents agreed with a mean of 4.01 and standard of 0.749 that there was a clear plan of all long term projects. The respondents were also in agreement that all long term projects are well budgeted for as shown by a mean of 4.12 and standard deviation of 0.693. The respondents were in agreement that there is a strategic plan on long term expenditure as indicated by a mean score of 4.01 and standard deviation of 0.703.

Table 5: Financial management systems

	N	Minimum	Maximum	Mean	Std. Deviation
Budget for all projects and expenditures is formulated according to county policies	92	2	5	4.15	.645
There is a payment system where all payments have to go through	92	2	5	4.35	.831
There are mechanisms to monitor all project activities and progress.	92	3	6	3.76	.685
Valid N (listwise)	92				

Majority of the respondents strongly agreed with statement that budget for all projects and expenditures are formulated according to county policies. This was indicated by a mean score of 4.15 and standard deviation of 0.645. There was a payment system where all payments to go through. The majority of the respondents strongly agreed with a mean of 4.35 and standard deviation of 0.831. The respondents strongly agreed that there are mechanisms to monitor all project activities and progress this was indicated by a mean 3.76 and standard deviation of 0.685. This in agreement with (Kolstad el al, 2009, Lindstedt and Naurin, 2010) that transparency alone may not be sufficient and there is a need to device monitoring mechanisms.

Correlations analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

Coefficient of correlation **Table 6: Correlation**

		Auditing	**Accounting policies**	**Financial accounting disclosure**	**Financial management systems**	**Financial Transparency**
Auditing	Pearson Correlation	1	.381**	.218*	.179	.568**
	Sig. (2-tailed)		.000	.037	.088	.000
	N	92	92	92	92	92
Accounting policies	Pearson Correlation	.381**	1	.347**	.527**	.450**
	Sig. (2-tailed)	.000		.001	.000	.000
	N	92	92	92	92	92
Financial accounting disclosure	Pearson Correlation	.218*	.347**	1	.596**	.639**
	Sig. (2-tailed)	.037	.001		.000	.000
	N	92	92	92	92	92
Financial management systems	Pearson Correlation	.179	.527**	.596**	1	.448**
	Sig. (2-tailed)	.088	.000	.000		.000
	N	92	92	92	92	92
Financial Transparency	Pearson Correlation	.568**	.450**	.639**	.448**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	92	92	92	92	92

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 7 above. According to the findings, it was clear there was a positive correlation between the independent variables, strategic cost leadership, strategic planning, strategic innovation and strategic product diversification and dependent variables performance. The analysis indicates the coefficient of correlation, 'r' equal to 0.381, 0.218, 0.179 and 0.568 for auditing, accounting policies, financial accounting disclosure, and financial management systems respectively. This indicates a positive relationship between independent variables and dependent variable.

Model summary **Table 7: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782[a]	.612	.594	.28253

a. Predictors: (Constant), Financial management systems, Auditing, Accounting policies, Financial accounting disclosure

Table 7 above showed an overall P-value which less than 0.005 (5%). This showed that overall regression model was significant at the calculated 95% level significance. It further implied that the studied independent variables namely financial management systems, auditing, accounting policies and financial accounting disclosure. The regression model summary indicated the coefficient determination R square as 0.612. This meant that at 61.2% of the relationship was explained by the identified four variables namely auditing, accounting policy, financial accounting disclosure and financial management systems. The rest of 38.8 were explained by other factors not studied in this research.

ANOVA

Table8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.960	4	2.740	34.328	.000[b]
	Residual	6.945	87	.080		
	Total	17.905	91			

a. Dependent Variable: Financial Transparency
b. Predictors: (Constant), Financial management systems, Auditing, Accounting policies, Financial accounting disclosure

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if p-value was less or equal to 0.05. The significance of the regression model was as per Table 8 above, with p-value of 0.000 which was less than 0.05. This indicated that the regression model was statistically significant in predicting the determinants that effect financial transparency in the county government. Basing the confidence level at 95% the analysis indicated high reliability of the results obtained. The overall

ANOVA results indicated that the model was significant at F=34.328, p-value = 0.000, this showed that the overall model was significant and that financial management systems, auditing, accounting policies and financial accounting disclosure significantly affects financial transparency in Mombasa County government.

Multiple Regressions

Table 9: Multiple Regression Analysis

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.476	.425		-1.122	.265
	Auditing	.472	.083	.414	5.677	.000
	Accounting policies	.135	.103	.109	1.309	.194
	Financial accounting disclosure	.494	.083	.501	5.961	.000
	Financial management systems	.019	.101	.017	.189	.851

a. Dependent Variable: Financial Transparency

The general regression Model arrived at was $Y = -0.476 + 0.472X_1 + 0.135X_2 + 0.494X_3 + 0.019X_4$.

Where

Y= Financial Transparency in Mombasa County, X_1= Auditing, X_2 = Accounting policies, X_3= Financial accounting disclosure, X_4 = Financial management systems

Hence;

Financial Transparency in Mombasa County = -0.476 + 0.472 Auditing + 0.135 Accounting policies + 0.494 Financial accounting disclosure + 0.019 Financial management systems.

The Beta Coefficients in the regression model show that all of the tested variables had positive relationship with financial transparency in Mombasa County with all the variables tested being statistically significant with p-values less than 0.05.

The findings implied that a unit change of X_1(Auditing) = 0.472, would results in to 0.472 change in Financial transparency in Mombasa County; X_2 (Accounting policies) = 0.135, would results in to 0.135 change in the Financial transparency in Mombasa County; X_3 (Financial accounting disclosure)= 0.494; would results in to 0.494 change in the Financial transparency in Mombasa County and finally X_4 (Financial management system) = 0.019, would results in to 0.019 change in the Financial transparency in Mombasa County.

The Y- Intercept (β_0 = -0.476), predict that Financial transparency in Mombasa County when all other variables are zero, implying that without the independent variables that include; financial management systems, auditing, accounting policies and financial accounting disclosure, the financial transparency in Mombasa County be -0.476**.**

From the analysis in table 9, financial accounting disclosure X_3 (β = 0.494, $p<0.05$) has the strongest relationship with the financial transparency in Mombasa followed by Auditing X_1 (β = 0.472, $p<0.05$), then Accounting policies X_2 (β = 0.135, $p<0.05$), and finally financial management systems X_4 (β = 0.019, $p<0.05$). All four variables significantly predicted the financial transparency in Mombasa County.

CONCLUSIONS

The results from the instruments used for data analysis and interpretation were recorded. From the research study, it was evident that auditing, accounting policies, financial accounting disclosure and financial management systems were the key determinants to the financial transparency in the county government. If these variables were considered the counties would be able to achieve their objectives and hence development in the county governments.

RECOMMENDATIONS

The study found out that the financial transparency was affected by the above independent variables. It was therefore recommended that county government put measures to strengthen policies that would contribute creating transparent conducive environment. The study revealed that among the four variables discussed, financial accounting disclosure had the highest performance. Therefore, its role to produce fundamental decisions and actions in shaping and guiding the county government towards achieving its objectives very important and should be given more attention.

The study also revealed that a part from financial accounting disclosure, auditing and accounting policies were key to financial transparency. It was therefore recommended that the county government adopts policies and procedures that support financial transparency in the counties.

SUGGESTIONS FOR FURTHER STUDY

This study focused in establishing the determinants of financial transparency in county a case study of Mombasa County. Since only 62.8% of results was explained by independent variables in this study, it was recommended that a further study be carried out on other factors such as organization structure, staff competency etc. that might have effect on financial transparency in Mombasa County.

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