Effect of Public Financial Management Practices on County Governments Financial Distress in Kenya

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Abstract
The study sought to establish the effect of public financial management practices on county governments financial distress, this study adopted causal research design where regression analysis was used to determine the cause and effect relationship. Findings indicated that financial planning affects financial distress in the county and also internal control had an effect on the county governments financial distress the study concluded that counties planned for their tax and the plans affected the financial distress in the country. This is attributed to the fact the counties' plan for tax measured their ability to meet their financial obligation since the funds gotten from the tax enable the counties to be able to meet their financial obligations.
Key words: Financial distress, Financial management practices, internal control

INTRODUCTION

Background of the Study

Financial distress is a term in corporate finance used to indicate a condition when promises to creditors of a company are broken or honored with difficulty (Carlos & Lorenzo, 2009). Sten,

Buwer and Hamman (2006) define financial distress as the situation when a company cannot continue to exist in its current form and therefore include: bankruptcy, delisting or a major organizational restructuring. A company which finds itself financially distressed will result to

one action or another to employ mechanisms for managing the financial distress so that it can be able to rectify the mismatch between its current available liquid assets and the current obligations of its hard financial contracts (Kuruppu, Lasward, & Oyelere, 2003).‘). Prolonged financial distress may lead to corporate bankruptcy which causes substantial losses to the business community and the society as a whole. Stakeholders such as company managers, creditors, auditors, individual shareholders, pension fund managers and government regulators all have an incentive to identify companies which are more likely to fail, and to take corrective action to prevent failure from occurring (Carlos & Lorenzo, 2009).

Public financial management practices refer to certain tasks related to policy implementation in publicly supported programs (Hood, 2001). They are the various practices that are employed to ensure that policies on publicly supported programs are effectively implemented. In order to ensure that public financial management is successful, public financial managers should have knowledge on their generic management tools (Frant, 2006). They should know the agenda that guides the organization that is; identification of basic financial management tools, understand how and where those tools should be used and how well the tools work. Public financial management practices have been employed by government to safeguard against misappropriation of public funds.

Efficient public financial managers choose the best practices that ensure the success of their organization and safeguard against financial distress and bring turnarounds after an organization has suffered from financial distress (Fountain, 2004). Globally, financial distress evolves gradually, and only in rare instances does a single bad decision cause financial distress (Koninklijke & Leiden, 2006). The principal factors influencing probability of bankruptcy are; firms asset mix where a firm may be driven to distress if the resources are not allocated efficiently, sensitivity of companies' revenue to the general level of economic activity where if a company is highly responsive to the ups and downs in the economy, shareholders and lenders may perceive a greater risk of liquidation and demand a higher return in compensation for gearing and corporate governance where inappropriate corporate governance practices may drive a firm into distress, conflict of interest between various stakeholders may lead to bankruptcy while the ability to generate cash where some firms generate high regular cash flows and have reasonably higher debt capacity than a firm with delayed cash flows which is at a higher risk of experiencing distress (Padilla &Alejadro, 2004).

The emergence of acute financial distress in all Australian Local government state and territory jurisdictions led to the establishment of policies geared toward elevating financial distress such structural reforms in form of forced amalgamation of councils and internal reforms, increased fiscal transfers from central government to Local government, increased borrowings by Local councils inform of fixed interest bond issues, and relaxing rate capping regulations and the introduction of additional revenues sources such as environmental taxes (Dollery, 2009).

In Africa, failure in reforms in planning and capital investment, budgeting and fiscal management, personnel systems and management, plus finance and revenue have been attributed as the main causes of financial distress (Wunsch, 2001). For example in Local municipalities in South Africa do not comply with the requirement that a "reasonable" amount of current expenditures be financed by means of own resources. Furthermore, local Governments finances are featured by substantial variance as far as collection of own income is concerned (Schoeman, 2011). In Tanzania, Fjelstad, Henjewele, Mwambe, Ngalewa and Nygaard (2004) attempted to analyze changes in Tanzanian Local Authorities' capacity for financial management and revenue enhancement, and changes relating to governance, including accountability and responsiveness of the Local government. They found that there is a causal relationship between financial management of Local Authorities and governance and therefore predisposing the local governments to financial distress.

In Kenya, financial distress has constantly dogged government agencies. From independence, cases of corruption and embezzlement of public funds have been credited for bringing down of many public corporations (Njuguna, 2010). The new constitutional dispensation came up with strategies and policies aimed at safeguarding the public funds against people with personal interest, ensuring transparency in their utilization and accountability (Ntoiti, 2013).

However, despite these measures cases of corruption and misappropriation of public funds have been on the rise with billions of shillings being un-accounted for from public coffers.

This has been marked with scandals such as the NYS scandal, the chicken gate scandal and others. These have increased financial distress affecting the performance of the affected government agencies.

In the wake of a multiplicity of economic crises, governments all over the world are faced with difficult choices that have global ramifications. In such difficult economic situations, governments both global and local become increasingly cognizant of the need to balance their budgets in order to avoid financial difficulties. Yet it is often difficult for governments to assess the financial distress of their localities and, more importantly, to recognize local difficulties before they become severe (Kloha, Weissert and Kleine, 2005).

Kloha et al (2005) further argues that while nearly a third of states report using indicators to monitor the financial health of their local governments, a number of these states report some level of dissatisfaction with their performance. Michigan State of the US is credited as pioneering in the use of indicators to monitor local governments' performance (Kloha et al., 2005, 2003). In developing the measures of financial health for Michigan, Kloha used a set of 9 indicators to determine its financial health.

The early attempts to measure financial distress date back to 1894 when the Civic Federation developed a monitoring and evaluation mechanism for the Illinois State in the US. Their mission was to promote economy and efficiency in the organization and management of public resources and to furnish the public with accurate information concerning governmental revenues and expenditures (Brownman and Calia, 1997). The International City/County Management Association (ICMA) has also played a significant role in developing Financial Trends Monitoring System (FTMS) that measures financial health of local governments. ICMA has 36 indicators that are popular with managers of small to medium-sized local governments. Unfortunately, ICMA's checklist has too many items to permit a clear view of over-all financial performance. Additionally, Governmental Accounting Standards Board (GASB) of the US was founded in 1984 with the mission to establish and improve standards of state and local governmental accounting and financial reporting (GASB, 2013). Armed with this information, government managers/leaders can be proactive in addressing negative trends before they become crises.

Similar efforts have also been undertaken in Italy and Australia among other countries in trying to develop measures of preventing the occurrence of financial distress (Capalbo, Grossi, Ianni, Sargiacomo, 2010; Jones and Walker, 2007). The interest in financial distress systems has attracted both practitioners and academics over the past several decades to assess and monitor the conditions of local government. These measures have varied in their complexity and the type of variables included in the analysis.

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. Also, it is more than likely that the general public will have greater trust in public sector organisations if there is strong financial stewardship, accountability and transparency in the use of public funds (ACCA, 2010). It is important for governments to get it right because it impacts on a broad range of areas including: aggregate financial management (fiscal sustainability, resource mobilisation and allocation), operational financial management (performance, value-for money and budget management), governance (transparency and accountability) and fiduciary risk management (controls, compliance and

oversight) (Parry, 2010). In addition, effective public financial management is important for decision making. Accurate financial information is often used as the mechanism to support decisions and ensure effective resource allocations. Public financial management is a complex field with many new initiatives and relatively few successes to date. Implementing public financial management reform is a challenge in all countries, but to successfully mount and execute public financial management projects in resource constrained countries; financial management practices adopted should be the ones that are both effective and efficient.

County Governments in Kenya

The forty seven (47) counties have the mandate of bringing governance closer to the people as fronted by the decentralization premise that avers each public entity should bring power and resources closer to the people in order to maximize on the benefits of devolution. The Fourth Schedule of the Constitution of Kenya, 2010 lists the functions of both National and County Governments. Functions such as Agriculture, County Roads, Health Services, Provision of Water, Early Childhood Development Education (ECDE), Polytechnics and Home Craft Centers among others have been devolved to counties. Transitional Authority (T.A.) was a constitutional body tasked to ensure that over the medium term, there was a seamless transition of functions from National Government to County Governments. The basis is resources should follow functions and thus counties are allocated money from the National Exchequer and are also expected to collect local revenue collections in order to provide service delivery to the people.

Statement of the problem

Financial management in public institutions is concerned with ensuring that funds are available when required and that they are acquired and utilized in the most efficient and effective manner to the advantage of the citizens. In the modern world, managing the movement of funds in relation to the budget is essential for public institutions financial health. However, the Office of Controller of Budgets reveals that the financial management practices of both national and county governments are generally weak and dominated by conditions of resource scarcity visa-vis the ever increasing development programs on which such funds are allocated for. Over the past two years service delivery continue being poor as depicted by the high level of lack of capacity of public finance staff, delays in payments, long procurement processes, as well as poor internal controls all translating to low citizens satisfaction index (C.O.B, 2015)

PFM has been a major concern for the World Bank and other Institutions both local and international. In the broader donor harmonisation initiative, Public finance management has become one of the most prominent issues (World Bank, 2004).

Untamed financial distress as a result of ineffective financial management practices could equally have severe consequences for the global economy. Understanding public financial management therefore is essential to improve and sustain economic performance, maintain macroeconomic stability, and reduce vulnerabilities (Kumar and Ter-Minassian, 2007). Measuring financial distress is especially important if countries, industrial as well as developing, are to successfully meet the challenges, and reap the benefits, of economic and financial globalization.

For the case in Western Counties, there are experiences of financial distress as a result of poor financial management practices which may not only fail to satisfy their service obligations to citizens but also drain the public coffers by requiring drastic measures, which will imply forgone economic growth and development (G.O.K, 2010)

Sustained financial distress could also put the County at the risk of being taken over by the National Government as provided for in the Constitution of Kenya 2010. This will be a draw back on the gains already made on devolution and self-governance in Western counties. Over the past two years, Western County Governments have been faced with immense challenges including; poor financial management, inability to meet its local revenue targets, delay in release of equitable share of funds by the National Treasury, high recurrent costs among other challenges (KENAO, 2015). Such challenges coupled with over-expectations from the residents have given pressure to the Counties and thus struggling to deliver core mandates. Hence this study intends to establish the effects of public financial management practices on Western County Governments' financial distress.

Specific Objectives

The specific objectives of this study are:

i. To investigate the effect of financial planning on financial distress among Western Kenya County governments.
ii. To examine the effect of internal control on financial distress of Western Kenya County Governments.

Conceptual Framework

Kombo and Tromp, (2009) defines a concept as an abstract or universal idea inferred or resulting from specific instances. A concept does not need to be discussed to be understood distinguishing itself from a theory (Smyth, 2004). A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Kombo and Tromp, 2009). A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate it. When clearly articulated, a conceptual framework has potential usefulness as a tool to assist a researcher to make meaning of subsequent findings. It forms part of the agenda for negotiation to be scrutinized, tested, reviewed and reformed as a result of investigation and it explains the possible connections between the variables (Smyth, 2004).

A conceptual framework for this research work study indicates the relationship of public financial management practices on county government's financial distress and has been shown in Figure 2.4 below. The framework conceptualizes that public financial management practices (financial planning, internal controls, supply chain management and revenue mobilization) influence on financial distress of county governments ascertained through pending bills, service delivery, staff compensation and stalled projects.

Independent Variable **Dependent Variable**

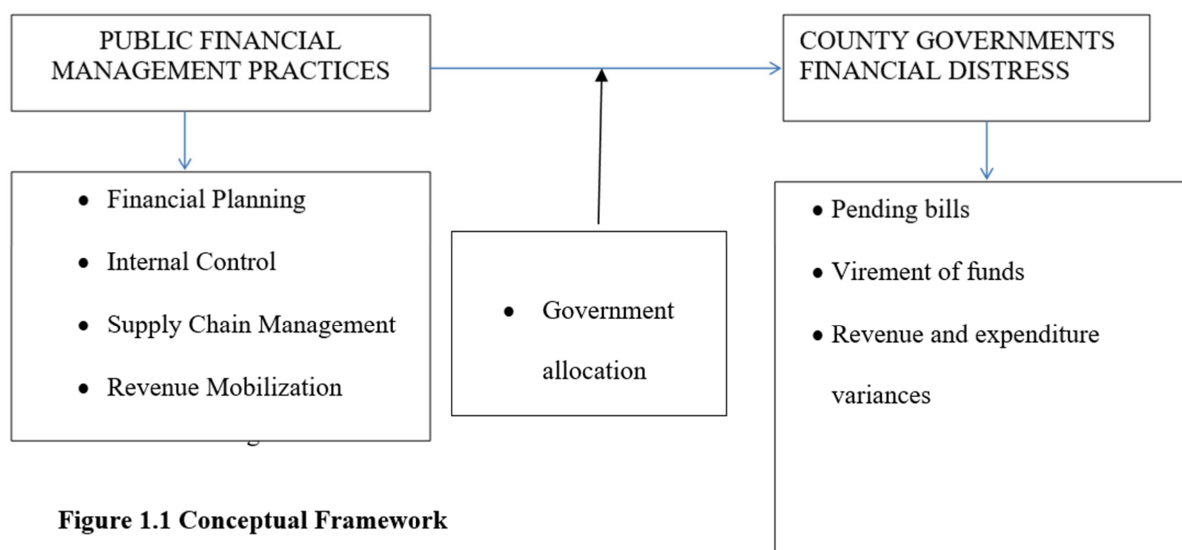

Figure 1.1 Conceptual Framework

RESEARCH METHODOLOGY

Explanatory research design will be used in this study. According to Kothari (2008) explanatory research studies determine the frequency with which a variable occurs or its association with other variables and determines the cause and effect.

The population of interest in the study consisted of 40 respondents drawn from CEC members from the four counties. questionnaires and interview schedules was used to collect data

Data Analysis and Findings

Financial Planning and Financial Distress

The study sought to determine the elements of financial planning and how these affect financial distress, the findings are presented as follows.

Table 4.2 Planning Tax

		Frequency	Percent
plan tax	Yes	36	100
affected the level of financial distress	Yes	28	77.8
	No	8	22.2
	Total	36	100

The findings indicate that all the respondents held that the opinion that the counties planned for tax. The findings on the effect of planning tax on financial distress indicate that 77.8% of the respondents held the opinion that the counties planned tax affected the financial distress.

These findings indicate that all the counties planned for their tax and the plan affected the financial distress in the country. This is attributed to the fact the counties' plan for tax measures their ability to meet their financial

obligation since the funds gotten from the tax enable the counties to be able to meet their financial obligations. Therefore poor planning enhances financial distress while good planning enhances the ability of the county to address the financial distress in the county.

The study sought to determine the investment plan of the counties. The findings are presented in table 4.3

Table 4.3 Investment plan

		Frequency	Percent
investment plan	Yes	36	100
extent of investment plan working	low extent	8	22.2
	Neutral	8	22.2
	large extent	11	30.6
	very large extent	9	25
	Total	36	100
plan cause financial distress	Disagree	8	22.2
	not sure	6	16.7
	Agree	22	61.1
	Total	36	100

The findings on investment indicate that all the counties had investment plan for their counties. The findings on the extent the investment plan was working indicate that 30.6% held the opinion that they worked to a large extent, 25% said it worked to a large extent, 22.2% said to a low extent while another 22.2% did not have an opinion on the performance of the investment,

These findings indicate that the investment plan of the counties were working to a large extent, the plans that the counties made were fruitful to a large extents. They could have encountered some failures in their operation but they can be considered minimal when compared to the rate of success of the investment.

The study sought to determine if the counties had plan for employee benefits. The findings are presented in table 4.4

Table 4.4 Employee Benefit

		Frequency	Percent
plan for employee benefit	Yes	24	66.7
	No	12	33.3
	Total	36	100
extent of plan for employee benefit affect **financial distress**	Neutral	10	27.8
	large extent	21	58.3
	very large extent	5	13.9
	Total	36	100

The findings on employee benefit indicate that 66.7% of the respondents held that the firm had plans for employee benefit while the rest did not. On the extent that the employee benefit affected financial distress the respondents indicated that 58.3% held to a large extent, 27.8% said were not sure while 13.9% said to a large extent.

These findings indicate that the most of the counties had a plan for employee benefit and these plan affected financial distress of the county to a large extent. This is because the counties have employee working for them and these employees are paid from the county's kitty. Therefore the ability of the county to plan for their employee benefit determine their ability to meet their obligations to the employees while the opposite is also true therefore the plan has the potential of affecting the financial distress of the county since failure to meet their obligation to the employee is a clear indication of financial distress.

The study sought to determine the counties plan for cash, the findings are presented in table 4.5

Table 4.5 Cash Plan

		Frequency	Percent
plan for cash	Yes	36	100
extent of plan for cash	large extent	19	52.8
	very large extent	17	47.2
	Total	36	100

The findings on the counties cash plan indicate that all the counties had cash plans. The findings on the extent that cash planning affect financial distress indicate that 52.8% of the respondents held to a large extent while 47.2% said to a very large extent. These findings indicate that the cash plan of the counties affected the financial distress to a large extent. This is attributed to the fact that well laid out plan enables the players to cater for every sector, settling their bills in time and are therefore able to plan on how to raise and spend therefore ensuring proper financial performance escaping financial distress.

The study sought to determine the counties plan for county growth. The findings are presented in table4.6

Table 4.6 Plan For County Growth

		Frequency	Percent
Plan for county growth	Yes	36	100
Extent of plan for county growth	very low extent	3	8.3
	low extent	14	38.9
	Neutral	5	13.9
	large extent	11	30.6
	very large extent	3	8.3
	Total	36	100

The findings on the counties' plan for growth indicate that all the counties made plans for the growth of their counties. The findings on the extent that this plans influence the level of financial distress indicate that 38.9% said to a low extent, 30.6% to a large extent, 13.9% had no opinion, 8.3% said to a very large extent while another 8.3% said to a very low extent.

These findings indicate that the counties had plans for the growth of their county growth however these plans affected the level of financial distress to a low extent. This could be attributed to the fact plans for growth are blue print that when well followed can be very successful. The plans therefore do not have a direct influence on financial distress of the county. It is the execution of those plans and how they are financed that will play a role in affecting the financial distress of the country and not so much the plans for its growth.

The study sought to determine if the county had plan for possible borrowing, the findings are provided in table 4.7

Table 4.7 County Plan Borrowing

		Frequency	Percent
County plan for possible borrowing	Yes	19	52.8
	No	17	47.2
	Total	36	100
Extent of borrowing plan	low extent	6	16.7
	large extent	13	36.1
	very large extent	17	47.2
	Total	36	100

The findings on whether the county had plan for borrowing indicate that 52.8% had plans while 47.2% did not have plans for possible borrowing. The findings on the extent to that county borrowing affects financial distress indicate that 47.2% said to a very large extent, 36.1% said to a large extent while 16.7% said to a low extent.

These findings indicate that the county had plans for possible borrowing ad these plans affected financial distress to a large extent. This is attributed to the fact that the county borrowing comes with interest which the county has to pay and therefore can cause financial distress. The loans add the financial load that the counties have to shoulder which could easily lead the counties into financial distress. Therefore counties should stick to stipulated financing mechanisms to evade the burden.

These findings concur with Schoeman, (2011) whose study indicated that local municipalities in South Africa do not comply with the requirement that a "reasonable" amount of current expenditures be financed by means of own resources. Furthermore, local Governments finances are featured by substantial variance as far as collection of own income is concerned, these leads to heavy borrowing which plunges them into debt affecting their financial stability.

4.3 Internal Control and Financial Distress

The study sought to decide the effect of internal control on financial distress in the county. The findings are presented in as follows.

Table 4.8 Internal Control

		Frequency	Percent
exercise control	before the processes	17	47.2
	during the process	15	41.7
	after the process	4	11.1
	Total	36	100
influence of control on financial distress	large extent	15	41.7
	very large extent	21	58.3
	Total	36	100

The findings on at what stage the county exercised internal control indicate that 47.1% exercised before the process, 41.7% during the process while 11.1% after the process. The findings on the influence of control on financial distress indicate that 58.3% said to a large extent while 41.7% said to a large extent.

These findings indicate that most of the counties exercised internal control before the process. This was crucial since it affected the possibility of financial distress to a large extent. This is attributed to the fact that the stage at which a county starts to exercise its control will determine the possibility of success. The earlier a county is able to start their control the more they are in control of what is happening while on the other hand, is they start their control later they will have a hard time keeping track of issues. Therefore the stage of control influences financial distress in a county very much.

These findings concur with Nieuwenhuizen & Rossouw, (2008) whose study indicated that internal control mechanisms is exercised at top management level, and entails a close study of the organization's total effectiveness, productivity and management effectiveness Control mainly involves the process through which a manager ensures that activities are carried out as originally planned. They further indicated that in today's business environment, internal auditors are now providing management with a far broader range of information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance.

The study sought to determine if the counties practiced budget control. The findings are presented in table 4.9

Table 4.9 Budget Control

		Frequency	Percent
Budget control	Yes	36	100
	large extent	16	44.4
Extent of budgetary control	very large extent	20	55.6
on financial distress	Total	36	100

The findings on budget control indicate that all the counties practiced budget control. The findings on the extent to which budgetary control influences financial distress indicate that 55.6% said it affected to a very large extent while 44.4% said it affected to a large extent.

These findings indicate that counties practiced budget control and these budget control affected the possibility of financial distress to a very large extent. This is attributed to the fact that the performance of budget control enable counties to keep tabs of every areas of the county and their performance and therefore enabling them to make sure that all the sectors are performing and reducing cases of financial distress. On the other hand failure to practice effective budget control affects their ability to perform budgetary control causing financial distress.

These findings concur with Shah, (2009), who averts that budgets are important tools of financial management employed to direct and control the affairs of large and multifarious institutions. In this regard it serves as a tool for planning and controlling the use of scarce financial resources in the accomplishment of organizational goals. The budget is an invaluable aid in planning and formulating policy and in keeping check on its execution. It stipulates which activities and programs should be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization.

The study sought to determine the practice of auditing in the counties, the findings are presented in table 4.10

Table 4.10 Internal Audit of the Counties

		Frequency	Percent
internal audit in a year	once in three months	28	77.8
	once in six months	8	22.2
	Total	36	100
extent auditing contributes	Neutral	6	16.7
to financial distress	large extent	18	50
	very large extent	12	33.3
	Total	36	100

The findings on the practice of internal audit with the counties indicate that 77.8% conducted the audit once in three months while 22.2% conducted theirs once in six months. The findings on the extent that auditing contributed to financial distress indicate that 50% indicated to a large extent, 33.3% to a very large extent while 16.7% did not have an opinion .

These findings indicate that most counties carried out internal audits once in three months and the audits affected the possibility of financial distress to a large extent. This is attributed to the fact that the ability of the county to conduct financial audits provided the counties with information on the performance of their projects and investment, cash management and the performance of the budget which enabled them to detect any problem arising early enough in order to safeguard against long time deviation from the budget which leads to financial distress. Auditing enables counties to ensure that they are in line with their budget estimates and spending safeguarding against financial distress.

Kenya 2010.

Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.19E-05	0.159		0	1
	Financial planning,	0.246	0.022	0.404	11.381	0
	Internal controls	0.23	0.02	0.41	11.581	0

Source : field data (2017)

Financial distress = -7.19E-05 + 0.246 (Financial planning) + 0.23 (Internal controls) +0.121 (Error Margin)

From the regression model computed in table 4.7 **H_{01}:** Financial planning has significant effect on financial distress of Western County Governments

The study rejected the null hypothesis (β = 0.404, p = 0.000).

The regression results indicate that financial planning has a direct effect on the financial distress of counties with a beta coefficient of 0.404 and significance of (p=0.000). These results imply that the process of financial planning within a county has a significant effect on the financial performance of the firm. The planning carried out can either push a county into financial distress or protect the county from going into financial distress.

H_{02}: Internal control mechanisms regulations have no significant effect on financial distress of Western County Governments

The study rejected the null hypothesis (β = 0.41, p = 0.000).

The regression results in table 4.21 indicate that internal control has a direct effect on financial distress of counties with a beta coefficient of 0.41 and significance of (p=0.000). These findings imply that the internal control of the counties enables them to take control of their financial processes and therefore safeguarding them from any eventualities in terms of financial distress. The financial performance of the county is influenced by the ability of the county managers to take a hold of county issues and ensure that they don't provide room for self-seeking individuals to serve their own interests leaving the interest of the public to suffer and therefore plunging a county into financial distress.

SUMMARY CONCLUSION AND RECOMMENDATION

Summary of the Findings

Financial Planning and Financial Distress

The findings indicate that all the respondents held that the opinion that the counties planned for tax. The findings on the effect of planning tax on financial distress indicate that 77.8% of the respondents held the opinion that the counties planned tax affected the financial distress. These findings indicate that all the counties planned for their tax and the plan affected the financial distress in the country. This is attributed to the fact the counties' plan for tax measures their ability to meet their financial obligation since the funds gotten from the tax enable the counties to be able to meet their financial obligations. Therefore poor planning enhances financial distress while good planning enhances the ability of the county to address the financial distress in the county.

The findings on investment indicate that all the counties had investment plan for their counties. The findings on the extent the investment plan was working indicate that 30.6% held the opinion that they worked to a large extent, 25% said it worked to a large extent, 22.2% said to a low extent while another 22.2% did not have an opinion on the performance of the investment. These findings indicate that the investment plan of the counties were working to a large extent, the plans that the counties made were fruitful to a large extents. They could have encountered some failures in their operation but they can be considered minimal when compared to the rate of success of the investment.

The findings on employee benefit indicate that 66.7% of the respondents held that the firm had plans for employee benefit while the rest did not. On the extent that the employee benefit affected financial distress the respondents indicated that 58.3% held to a large extent, 27.8% said were not sure while 13.9% said to a large extent. These findings indicate that the most of the counties had a plan for employee benefit and these plan affected financial distress of the county to a large extent. This is because the counties have employee working for them and these employees are paid from the county's kitty. Therefore the ability of the county to plan for their employee benefit determine their ability to meet their obligations to the employees while the opposite is also true therefore the plan has the potential of affecting the financial distress of the county since failure to meet their obligation to the employee is a clear indication of financial distress.

The findings on the counties cash plan indicate that all the counties had cash plans. The findings on the extent that cash planning affect financial distress indicate that 52.8% of the respondents held to a large extent while 47.2% said to a very large extent. These findings indicate that the cash plan of the counties affected the financial distress to a large extent. This is attributed to the fact that well laid out plan enables the players to cater for every sector, settling their bills in time and are therefore able to plan on how to raise and spend therefore ensuring proper financial performance escaping financial distress. The findings on the counties' plan for growth

indicate that all the counties made plans for the growth of their counties. The findings on the extent that this plans influence the level of financial distress indicate that 38.9% said to a low extent, 30.6% to a large extent, 13.9% had no opinion, 8.3% said to a very large extent while another 8.3% said to a very low extent.

These findings on counties plan for growth indicate that all the counties had plans for the growth of their county growth however these plans affected the level of financial distress to a low extent. This could be attributed to the fact plans for growth are blue print that when well followed can be very successful. The plans therefore do not have a direct influence on financial distress of the county. It is the execution of those plans and how they are financed that will play a role in affecting the financial distress of the country and not so much the plans for its growth.

The findings on whether the county had plan for borrowing indicate that 52.8% had plans while 47.2% did not have plans for possible borrowing. The findings on the extent to that county borrowing affects financial distress indicate that 47.2% said to a very large extent, 36.1% said to a large extent while 16.7% said to a low extent. These findings indicate that the county had plans for possible borrowing ad these plans affected financial distress to a large extent. This is attributed to the fact that the county borrowing comes with interest which the county has to pay and therefore can cause financial distress. The loans add the financial load that the counties have to shoulder which could easily lead the counties into financial distress.

financial planning has a direct effect on the financial distress of counties with a beta coefficient of 0.404 and significance of (p=0.000). These results imply that the process of financial planning within a county has a significant effect on the financial performance of the firm.

Internal Control and Financial Distress

The findings on at what stage the county exercised internal control indicate that 47.1% exercised before the process, 41.7% during the process while 11.1% after the process. The findings on the influence of control on financial distress indicate that 58.3% said to a large extent while 41.7% said to a large extent. These findings indicate that most of the counties exercised internal control before the process. This was crucial since it affected the possibility of financial distress to a large extent. This is attributed to the fact that the stage at which a county starts to exercise its control will determine the possibility of success. The earlier a county is able to start their control the more they are in control of what is happening while on the other hand, is they start their control later they will have a hard time keeping track of issues. Therefore the stage of control influences financial distress in a county very much.

The findings on budget control indicate that all the counties practiced budget control. The findings on the extent to which budgetary control influences financial distress indicate that 55.6% said it affected to a very large extent while 44.4% said it affected to a large extent. These findings indicate that counties practiced budget control and these budget controls affected the possibility of financial distress to a very large extent. This is attributed to the fact that the performance of budget control enables counties to keep tabs of every area of the county and their performance and therefore enabling them to make sure that all the sectors are performing and reducing cases of financial distress. On the other hand failure to practice effective budget control affects their ability to perform budgetary control causing financial distress.

The findings on the practice of internal audit with the counties indicate that 77.8% conducted the audit once in three months while 22.2% conducted theirs once in six months. The findings on the extent that auditing contributed to financial distress indicate that 50% indicated to a large extent, 33.3% to a very large extent while 16.7% did not have an opinion . These findings indicate that most counties carried out internal audits once in three months and the audits affected the possibility of financial distress to a large extent. This is attributed to the fact that the ability of the county to conduct financial audits provided the counties with information on the performance of their projects and investment, cash management and the performance of the budget which enabled them to detect any problem arising early enough in order to safeguard against long time deviation from the budget which leads to financial distress. Auditing enables counties to ensure that they are in line with their budget estimates and spending safeguarding against financial distress.

internal control has a direct effect on financial distress of counties with a beta coefficient of 0.41 and significance of (p=0.000). These findings imply that the internal control of the counties enables them to take control of their financial processes and therefore safeguarding them from any eventualities in terms of financial distress. The financial performance of the county is influenced by the ability of the county managers to take a hold of county issues and ensure that they don't provide room for self-seeking individuals to serve their own interests leaving the interest of the public to suffer and therefore plunging a county into financial distress.

Conclusions of the Study

On financial planning, the study concluded that counties planned for their tax and the plans affected the financial distress in the country. This is attributed to the fact the counties' plan for tax measured their ability to meet their financial obligation since the funds gotten from the tax enable the counties to be able to meet their financial

obligations. All the counties had investment plan for their counties. And they were working to a large extent. The study also concluded that the counties had a plan for employee benefit and these plan affected financial distress of the county to a large extent. This is because the counties have employee working for them and these employees are paid from the county's kitty. Therefore the ability of the county to plan for their employee benefit determine their ability to meet their obligations to the employees while the opposite is also true therefore the plan has the potential of affecting the financial distress of the county since failure to meet their obligation to the employee is a clear indication of financial distress. The study also concluded that counties had cash plan and the cash plan affected the financial distress to a large extent. This is attributed to the fact that well laid out plan enables the players to cater for every sector, settling their bills in time and are therefore able to plan on how to raise and spend therefore ensuring proper financial performance escaping financial distress. The study also concluded that the counties had plans for the growth of their county growth however these plans affected the level of financial distress to a low extent. This was attributed to the fact plans for growth are blue print that when well followed can be very successful. The plans therefore do not have a direct influence on financial distress of the county. It is the execution of those plans and how they are financed that will play a role in affecting the financial distress of the country and not so much the plans for its growth. The counties also had plans for possible borrowing ad these plans affected financial distress to a large extent. This is attributed to the fact that the county borrowing comes with interest which the county has to pay and therefore can cause financial distress.

On internal control the study concluded that most of the counties exercised internal control before the process. This was crucial since it affected the possibility of financial distress to a large extent. This is attributed to the fact that the stage at which a county starts to exercise its control will determine the possibility of success. On budget control the study concluded that all the counties practiced budget control and these budget control affected the possibility of financial distress to a very large extent. This was attributed to the fact that the performance of budget control enable counties to keep tabs of every areas of the county and their performance and therefore enabling them to make sure that all the sectors are performing and reducing cases of financial distress. On the other hand failure to practice effective budget control affects their ability to perform budgetary control causing financial distress. Most counties carried out internal audits once in three months and the audits affected the possibility of financial distress to a large extent..

Recommendations of the Study

The study made the following recommendations;

i. Counties should explore new areas of revenue generations in order to increase the revenues they are able to collect and finance the endeavors of the county. The ability of the county to explore these new sectors will ensure that they are not reliant on one area of the economy such as the licenses and permits and therefore they don't get shortfalls in their projections which will safeguard the counties from financial distress.

ii. The counties should adapt internal control of their activities way before the activities begin. This is crucial since their ability to safeguard the workings and manage the operation since they bring about public accountability. This will ensure that all the activities can be accounted for and that the county can easily trace the performance of their projects ensuring public responsibility which will safeguard against embezzlement of public funds and therefore reduces cases of mismanagement which leads to financial distress in the county.

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