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Relationship between Financial Reporting Reforms and Performance of Selected County Governments in Kenya

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ABSTRACT

Over the past few decades, the world has witnessed spectacular transformations of public financial management systems. Kenya transformed its financial reporting system with a view of enhancing credibility of its financial reports. The objective of the study was to examine the relationship between financial reporting reforms and the performance of selected County Governments in Kenya. The study was guided by descriptive research design and the target population was 184 treasury staff from Bomet, Kericho, Nakuru and Narok County Governments. Census sampling technique was employed in selecting the respondents to the study. Data were collected using semi-structured, self-administered questionnaires. Data was analyzed using descriptive and inferential statistics. The findings revealed that financial reporting reforms showed statistically significant correlation ($r=0.673$) with the performance of selected County Governments in Kenya. It was recommended that adoption of IPSAS in financial reporting should be strengthened to ensure optimal performance of the county governments.

Keywords-- Public Financial Management Reforms, Financial Reporting Reforms, Performance, Selected County Government

I. INTRODUCTION

Over the past few decades, the world has witnessed the spectacular transformation of public financial management systems. A strong PFM system is an essential aspect of the institutional framework for an effective government. Effective delivery of public services is closely linked with poverty reduction and growth, and countries with strong, transparent, accountable PFM systems tend to deliver services more effectively and equitably and regulate markets more efficiently and fairly (Lawson, 2013). Public Financial Management (PFM) encompasses highly complex, technical tasks and processes, including macroeconomic forecasting, budget allocation, accounting and auditing. The intricacy of such processes limits public scrutiny and provides various opportunities for corruption. The risk of corruption varies between and within the different stages of the budgetary process. Although

corruption mainly manifests itself in forms that involve illegal money transfers at the budget execution level, other steps of the budget process may create opportunities for corruption at other stages of the PFM process (Matthias & Marie, 2014).

As observed by Gouhua (2014), a good government accounting framework is considered a very crucial tool in China. From a fiscal risk point of view, Gouhua (2014) further stated that in the past decade, government entities could borrow through informal mechanisms which increased the likelihoods of financial risks because of a deficiency of good government accounting structures, but currently local governments can secure loans using formal mechanisms such as issue of bonds because of the strengthened financial accounting systems. For this reason, China's State Council approved the Accrual Government Comprehensive Financial Reporting Reform Plan in 2014. As part of the plan's implementation, the Ministry of Finance published a package of accounting and financial reporting guidelines including; Government Accounting Basic Standards, Government Financial Reporting Regulations, and the General Budget Accounting Regulations as part of the reform instruments. The issuance of these documents marks the start of a substantial transformation agenda that China is making towards adopting PFM reforms.

The issues relating to fiscal decentralization and public financial management are now at the focus of policy reforms following the enactment of the Constitution of Kenya (2010). The Public Financial Management Act 2012 which was enacted in the year 2012 sets out to promote transparency and accountability in the management of public finances at the National and County Government levels. The Act details how resources will be shared in the country between the National and County Governments and also creates new institutions with a public financial mandate such as the Commission on Revenue Allocation (CRA) and the Office of the Controller of Budget, amongst others, with distinct functions aimed at enhancing efficiency within the public sector. The requirement for reforms in the public financial management sector in Kenya arose out of previous challenges faced and gaps identified that lead to

embezzlement of public funds, inequalities arising in resource redistribution nationally and centralized systems of governance with inadequate checks and balances. The PFM reforms in Kenya were expected to make public financial management more efficient, effective, participatory and transparent resulting in improved accountability and better service delivery to the citizens (Society for International Development, 2012).

Some of the key reforms in Kenya include the adoption of International Public Sector Accounting Standards (IPSAS) and the establishment of the IPSAS board. These reforms are expected to improve the financial reporting practices in the National and County Governments in line with the international financial reporting best practices.

Statement of the Problem

The credibility of financial systems of any nation is highly dependent on the way financial reports are documented and published. With a view of achieving this goal, the Kenya Government has undertaken a series of transformations geared towards improving its fiscal accountability. The enactment of the Constitution of Kenya (2010) which brought about changes in the system of governance has necessitated the reforms in government accounting framework.

In spite of the milestones achieved in executing the financial reporting reforms in Kenya so far, the performance of County Governments is still under negative criticism. This is due to poor execution of the laid down regulations governing financial reporting as evidenced by the report issued by the Controller of Budget in the year 2017/2018 which demonstrated various anomalies facing the County Governments. It is on this basis that research was conducted on the relationship between financial reporting reforms and the performance of selected County Governments in Kenya.

II. LITERATURE REVIEW

Financial Reporting Reforms

In the new global economy, financial reporting frameworks have become a central issue for both the private and public entities and they have been the object of research since the 1930s. Streamlining the accounting system in accordance with “world’s best practices” will result in consistency and transparency in the financial management of the country, ensure good governance, boost the confidence of investor, and contribute to strengthening the economy (Miraj & Wang, 2018).

According to Jesus and Eirado (2012) embracing of accountability concept in an organization is vital since it requires public management to be transparent and informative and managers to be accountable for both the results obtained and the resources they used. They

maintained that public sector financial reporting assumes a specific role as it signifies the main tool for recording and reporting management’s activities thereof providing the information. Therefore, public financial reporting system contributes significantly to the realization of public financial management objectives on internal and external reporting.

Reforms in financial reporting systems are relevant to the usefulness of public financial reporting reforms. The public sector accounting can be described as a system which gathers, records, classifies and summarizes as reports the financial events existing in the public sector and as required by accountability and financial transparency provides information to information users associated to public institutions. The public sector comprises of governments and all publicly controlled or publicly funded agencies, enterprise, and other entities that deliver public programs, good, or services.

According to the National Treasury (2016), financial reporting is defined as an act of recording financial operations of an entity during budget implementation period and reporting them so as to make the public institutions accountable to budget implementation results. The PFM Act (2012), clearly outlines the procedures and obligations governing accounting and reporting in public institutions.

International Accounting Standard Board (IASB), states that the objectives of financial reporting are; “to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions.”

Financial reporting involves the provision of financial information to the various stakeholders about the financial performance and position of the organization over a specified period of time. These stakeholders include – investors, creditors, public, debt providers, governments and government agencies. Financial Reporting is usually considered as the end product of financial accounting. Accounting and reporting look at whether accurate and reliable records are maintained and information is produced and disseminated at appropriate times to aid decision-making, management, and reporting (KIPPPRA, 2018).

Financial reporting is a comprehensive accounting framework that involves recording of financial transactions and production of financial statements. Kenya adopted International Accounting Standards (IAS) in 2000 through the Institute of Certified Public Accountants of Kenya (ICPAK). These standards were, however, largely used by the private sector. The Public Sector relied largely on accounting principles which were not standardized across the sector. In 2008, the then Minister of Local Government issued a directive that all Local Authorities to adopt International Public Sector Accounting Standards (IPSAS).

However, there was no clear mechanism to implement the same.

Some public sector entities adopted IFRS while others summarized the Government Chart of Accounts. This non-uniformity made it difficult for the Auditor General to audit public sector entities as it was not clear what constituted annual financial statements. This necessitated the harmonization of reporting in the public sector.

The Public Sector Accounting Standards Board (PSASB) was established as part of PFM reforms in Kenya following the promulgation of the new Constitution in 2010 and the subsequent enactment of the Public Finance Management (PFM) Act in 2012. The board has adopted international public-sector accounting standards (IPSAS) as the basis for public sector accounting. In general, IPSAS provides for two alternative bases of accounting: the accrual and the cash basis. PSASB adopted the cash basis for National Government and counties; hence all County Governments are expected to adhere to this requirement. SAGAS use IPSAS whereas some commercial entities use IFRS. The major aims of International Public Sector Accounting Standards (IPSAS) are the international accounting harmonization and comparability of financial statements, as well as the improvement of the reliability and transparency of accounting information. Based on accrual accounting principles, these standards are expected to assist the countries that adopt this use to modernize their existing accounting systems. The renewed interest to create such an accounting framework was as a result of the need to strengthen the fiscal and accounting discipline and exercise a greater control of public accounts (National Treasury, 2015).

According to FASB (2018) the Conceptual Accounting Framework outlines the following functions of the financial accounting statements and reports: The financial statements of an organization are very useful in providing information to management of and is used for the purpose of planning, analysis, benchmarking and decision making. Planning entails setting the strategic goals and objectives to be accomplished within a particular period of time. The information provided must first be subjected to proper scrutiny before being used for decision-making. Besides that, the information is also used for benchmarking against other the performance of other comparable entities. Financial reports and statements also provide information to investors, debt providers and creditors which is used to enable them to make rational and prudent decisions regarding investment opportunities, to determine the credit-worthiness of the organization and other aspects of the concerned entity.

Financial reporting seeks to provide information about the economic resources of an organization, claims to those resources (liabilities and owner's equity) and how

these resources and claims have undergone change over a period of time. Accounting reports further provide information as to how an organization is procuring goods and services and using the various resources to increase the shareholders' value. Providing information to various stakeholders regarding performance management of an organization as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. The reports further provide useful information to the statutory auditors which in turn facilitate audit process. It also helps in enhancing social welfare by looking into the interest of employees, trade unions and Government (FASB, 2018).

There are numerous reforms under financial reporting reforms theme; however, priority areas include the adoption of International Public Sector Accounting Standards (IPSAS) and the introduction of Standard Chart of Accounts (SCOA). PFM Act section 166, 2012 requires County Governments to prepare quarterly financial reports and deliver copies to the National Treasury, CoB and CRA while County' treasury circular requires preparation of reports of performance of the whole budget during the execution stage.

The Public Sector Accounting Standards Board (PSASB) was established as part of PFM reforms in Kenya following the promulgation of the new Constitution in 2010 and the subsequent enactment of the Public Finance Management (PFM) Act in 2012. The board has adopted international public-sector accounting standards (IPSAS) as the basis for public sector accounting. In general, IPSAS provides for two alternative bases of accounting: the accrual and cash basis. PSASB adopted the cash basis IPSAS, hence all County Governments are expected to adhere to this requirement (National Treasury, 2015).

III. EMPIRICAL REVIEW

The financial and sovereign debt crises underscored the necessity for improved financial reporting by governments globally, and the requirement for enhancements in the management of public sector funds. The continuing outcome of these crises has strengthened these needs and has amplified the pressure on governments and public sector organizations to better manage public resources (AU, 2018).

The joint meeting noted that globally, most governments and institutions have been at the front advocating for the adoption and implementation of IPSAS accrual accounting practices. It has been established that a robust and transparent financial reporting has the potential to improve public sector decision making and make governments more accountable to their citizens. The discussion further emphasized that the International Public Sector Accounting Standards Board (IPSASB) plays a substantial part by developing International Public Sector

Accounting Standards (IPSAS) which is pivotal in the establishment of a strong public financial management system thus improving the value and credibility of the financial reporting in the public sector. Based on the outcome of the meeting, African Union effectively adopted and implemented the accrual-based IPSAS in 2014. The implementation of IPSAS has accrued some fundamental benefits for the African Union including, alignment of the financial reports with the international best practices, effective and efficient transparency and accountability that promote good corporate governance and finally it facilitates the comparability of financial statements. The end product of all these, is the improvement in performance Institutions towards their stakeholders (AU, 2018).

The cash basis IPSAS has been adopted and implemented by many governments including Kenya as a transitional step towards accrual based IPSAS. The Cash basis accounting has been the mainstream accounting and financial information system in the public sector for a long time globally. Although cash accounting has its merits, accrual accounting was introduced to improve the financial information system of public sector entities (Christiaens, 2010).

According to International Federation of Accountants (2008) cash basis of accounting is 'an approach of accounting that recognizes transactions and other events only when cash is received or paid'. It measures financial outcome for a period as the difference between cash receipts and cash payments. Cash flow statements and cash balances are the generally maintained under this system (IFAC, 2008). A modified cash accounting system recognizes transactions and other events on a cash basis during the year, but it also takes into account additional disclosures such as liabilities (pending bills) and fixed assets registers to aid the governments to gradually migrate to accrual based IPSAS. A modified accrual accounting system recognizes transactions and other events on an accrual basis, but certain types of assets or liabilities are not recognized. A typical example is the recording of all non-financial assets at the time of purchase. An accrual basis of accounting is 'a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate (IFAC, 2008).

Christiaens (2010) undertook a study to examine the impact of IPSAS on transformation of governmental financial information systems in the European Governments. The research analyzed the adoption of IPSAS accrual accounting and how the extent of adoption of levels. The findings of the study showed the diversity in the adoption process of IPSAS and accrual accounting. It

indicated that some governments still use cash-based accounting and only few apply IPSAS. The majority of public sector institutions apply accrual accounting disregarding IPSAS. The adoption accrual accounting was necessitated by urge to enhance transparency and efficiency. The fact that the IPSAS are unique and offer specific know-how is the main argument for making use of them. However, the results further pointed out that many jurisdictions do not adopt IPSAS because they transfer their own local business accounting rules. The study focused on IPSAS as a single component of financial reporting whereas the present study will concentrate on other components of public financial management reforms.

Bellanca and Vandernoot (2014) carried out a study to analyze the implementation level of International Public Sector Accounting Standards (IPSAS) in the member states of the European Union (EU). The study classified the states based on their formal implementation levels of IPSAS. It further analyzed the types of accounting bases used by the states under study. The findings of the study indicated that significant disparities among the member states, both for the application of IPSAS and for the type of accounting that is used. The report further showed that even if IPSAS is not legally adopted in most European member states, there is a tendency to use modern accounting systems based on accrual accounting close to IPSAS. The study concentrated in European Union member states while the present study will focus on adoption of IPSAS in developing countries specifically in Kenya.

Nkwagu (2016) conducted a study to determine the effect of IPSASs on accountability of Nigeria public sector with emphasis on its relationship with the management of public funds, effective budget implementation, and checking of cases of corruption among public officers in the South Eastern states of Nigeria. The findings of the study showed that IPSASs adoption improves accountability in the Nigerian public sector as the standards pave way for improved management of public funds. It further displays that application of IPSASs lead to effective budget implementation and checks possible cases of frauds in the Nigerian public sector. The study concluded that the economy of Nigeria would be better off if full implementation and sustenance of IPSASs is made in the country, having perceived IPSASs as the agents of the desired transformation in Nigeria. The study further, recommends that Nigerian government ought to offer the necessary necessities for full execution and sustenance of IPSASs in the public sector, if it is actually sincere and serious about attacking corruption in the country and at the same time prepare financial statements that can be comparable anywhere in the world. The study used comparative analysis whereas the present study will utilize descriptive analysis.

Christiaens *et al.* (2014) sought to establish the extent IPSAS accrual accounting is adopted in centered /local governments globally and they further examined which factors affect the differing level of their adoption. The study revealed that there was a gradual adoption of IPSAS accrual accounting although there was some level of reluctance especially in central governments.

According to OECD (2016), study on a comparative analysis of public procurement system in the three East African County Governments concluded that these countries have undertaken various initiatives to make public procurement systems more effective/efficient and transparent in line with international procurement best practices. The study further called for an urgent need for strengthening institutions involved in public procurement especially in technical and human resources capacity areas. Legenkovas (2016) conducted a study determine the impact of International Public Sector Accounting Standard (IPSAS) on reliability, credibility and integrity of financial reporting in State Government administration in Russia. The outcome of the study pointed out that the adoption of the program for Federal Accounting Standards development and subsequent formulation of the standards would facilitate the transition of domestic accounting to a better level.

Ijeoma (2014) carried out a research study to ascertain the impact of International Public Sector Accounting Standards (IPSAS) on reliability, credibility and integrity of financial reporting in State Government administration in Nigeria. The results of the study showed that implementation of IPSAS will improve the reliability, credibility and integrity of financial reporting in State Government administration in Nigeria. It was also noted that implementation of IPSAS based standards can facilitate efficient internal controls and result based financial management in the public sector of Nigeria. Equally, it was found that implementation of IPSAS can enhance Federal Government's capacity to significantly deliver services more effectively and efficiently. The study used content analysis in presentation of the findings while the present study will use frequency distribution Tables, pie charts and bar graphs in presentation of the findings.

Ocansey (2014) conducted comparative study on the adoption and implementation of international financial reporting standards in Ghana and Nigeria. It was found that Ghana and Nigeria began the adoption process in 2005 and 2010 respectively. It was found out that, the national standards of Ghana and Nigeria were closely related and had both were deficient of certain standards and disclosure requirements. In addition, it was disclosed that the IFRS' adoption and implementation required a new set of skills and expertise. The study recommended that, both Ghana and Nigeria should work on skills and expertise gap through training and development and to ensure that these

standards are included in the academic and professional curricula. Moreover, regulatory bodies should monitor and enforce these standards but where local content is needed, convergence should be the solutions. The study used comparative analysis IPSAS implementation in Ghana and Nigeria whereas the present study will utilize correlation design.

Bukenya (2014) executed a study to establish the relationship between the quality of accounting information and financial performance of the public sector in Uganda. The study adopted a blend of cross-sectional and correlation research designs and used stratified random sampling the findings of the study demonstrated that relevance, reliability, understandability, accuracy and timeliness were true measures of the quality of accounting information through factor analysis. Further it was discovered that a significant positive relationship existed between the financial performance and the financial information quality. The study recommends that it was desirable for public sector entities to employ highly skilled professionals who adhere to reporting requirements of the legal and regulatory framework. The study was done in Uganda which operates under centralized form of governance while the present study was done in Kenya which operates under devolved system.

Aleg (2016) carried out a study on the challenges facing the adoption and implementation of IPSAS by the United Nations Agencies in Nairobi. The findings of the study are that technological, organizational, financial and perceived usefulness challenges significantly affected the IPSAS adoption by UN agencies. The study used secondary data in its analysis. However, the present study will utilize primary data in its analysis.

Alijarde and Julve (2014) carried out a study to analyze the differences in practice between the results disclosed in financial and budgetary statements under both bases of accounting so as to identify the extent accrual accounting has been implemented and to verify whether budgetary and accrual based financial figures are significantly different. The results indicated that there is a correlation between the current budgetary results and the economic results and, therefore, the practice of accrual principle had not been implemented effectively.

Atuilik (2013) investigated the relationship between the adoption of IPSAS and perceived levels of corruption in developing and developed economies. The findings of the study conclude that levels of perceptions of corruption for developed countries that have implemented IPSAS do not differ greatly with the levels of perceived corruption for developed countries that have not implemented IPSAS; however, perceptions of corruption differ significantly between developing countries that have adopted IPSAS and developing countries that have not adopted IPSAS. The report recommended the adoption of

IPSAS by the governments of developed countries so as to upscale their ratings on the perceptions of corruption. The dependent variable for the study was corruption while the present study will use performance as the dependent variable.

Nderitu (2018) in his study focusing on the effect of public sector accounting standards on financial reporting of County Governments in the central region of Kenya. Found out that the financial reporting standardization has greatly enhanced budget information reporting in the public sector in Kenya. The study further concluded that IPSAS has improved financial reporting among the devolved units in Kenya. The study used survey research design in its methodology while the present study will use correlation research design.

Okungu (2015) focused his research study on the impact of IPSAS implementation on the financial reporting in the public sector in Kenya. The study used probability sampling technique in determining its sample while the present study used purposive sampling. The outcome of the study shows that adoption of IPSAS greatly enhances accountability and comparability of financial statements and in addition boosts the reliability of the accounting information to the end users for decision making. The financial reporting reforms were evaluated based on adoption of IPSAS, maintenance of proper books of

accounts, adequacy and timely preparation and submission of consolidated financial statements, operationalization of treasury single account and funds transfer from the exchequer to the County.

IV. RESEARCH METHODOLOGY

The study utilized descriptive research design to establish the relationship between financial reporting reforms and performance of selected County Governments. The study was undertaken in four selected County Governments in Kenya, namely: Bomet, Kericho, Nakuru, and Narok.

The target population of the study comprised of all the 184 treasury staff of all the four County Governments in Kenya which were selected using stratified sampling technique. Census sampling technique was used in selecting the respondents to the study. Questionnaire was used as the main data collection instrument. The study employed content validity in determining the validity of the questionnaire. The pilot study was undertaken in Nandi County using a sample of 36 respondents from relevant departments. The results of the pilot was as shown in Table 1.

Table 1
Pilot testing and rating of Cronbach's Alpha scores

Variable	Respondents	Cronbach's Alpha	Interpretation
Financial reporting reforms	36	0.886	Good

Note: significance level at 95% (2-tailed), N=36.

Source: Researcher (2019)

Corbin (2014) indicated that Cronbach's value of 0.7 and above is reliable and which include excellent, good and acceptable scores are indicators of good data collection instrument. The instrument was therefore confirmed to be reliable enough to collect the desired data.

Data were analyzed using descriptive data analysis techniques such as frequency distribution tables, mean, and mode. In quantitative analysis, data was statistically analyzed so that the meaning was inferred. Quantitative data was analyzed using inferential statistics such as correlation analysis, regression analysis and ANOVA test analysis.

V. RESULTS AND DISCUSSIONS

Descriptive Statistics

Descriptive statistics was carried out on financial reporting reforms and the findings were as presented in Table 2.

Relationship between Financial Reporting Reforms and Performance of County Governments

The respondents were asked give their views on various indicators of financial reporting reforms and the performance and the outcomes were as shown in Table 2. The findings of the study revealed that there is adoption of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting practices in the County as strongly agreed by 33.0 percent of the

respondents with a mean of 3.8205 and a standard deviation of 1.29625.

Less than half (30.9 percent) of the respondents strongly agreed that there is preparation of consolidated financial statements in the County representing a mean of 3.6361 and a standard deviation of 1.19985. The findings indicated that 31.8 percent of the respondents strongly agree that there is operationalization of Treasury Single Account in the County with a mean of 3.6867 and a standard deviation of 1.19421.

The respondents were further asked whether there is generation of quality financial reports by the County and the results showed that 40.0 percent of the respondents agreed that there were generation of quality reports with a

mean of 3.6065 and a standard deviation of 1.23018. The adoption of International Public Sector Accounting Standards (IPSAS) affects the financial accounting and reporting practices in the County as agreed by 36.1 percent of the respondents with a mean of 3.7489 and standard deviation of 1.35429.

Majority of the respondents at 40.3 percent agreed that preparation of consolidated financial statements affects the performance of County Governments with a mean of 3.5932 and a standard deviation of 1.26598. The financial reporting reforms affect the performance of County Governments as agreed by 42.1 percent of the respondents with a mean of 3.8731 and standard deviation of 1.10134.

Table 2
Descriptive Statistics on Financial Reporting Reforms and Performance

Statement	Percentages					Mean	Std. Deviation
	5	4	3	2	1		
There is adoption of International Public Sector Accounting Standards (IPSAS) in financial accounting and reporting practices in the County	33.0	22.6	8.7	12.7	13.0	3.8205	1.29625
There is preparation of consolidated financial statements in the County	30.9	33.7	11.0	9.8	15.1	3.6361	1.19985
There is operationalization of Treasury Single Account in the County	31.8	44.0	7.6	6.0	10.6	3.6867	1.19421
There is generation of quality financial reports by the County	27.8	40.0	8.1	12.1	12.5	3.6065	1.23018
The adoption of International Public Sector Accounting Standards (IPSAS) affects the financial accounting and reporting practices in the County	30.7	36.1	8.7	9.6	15.0	3.7489	1.35429
Preparation of consolidated financial statements affects the performance of County Governments	25.5	40.3	9.7	11.1	13.5	3.5932	1.26598
Operationalization of Treasury Single Account affects the management of cash flow in the County	34.7	30.4	12.5	14.0	8.5	3.7497	1.03925
Generation of quality financial reports has affected the performance of County Governments	30.7	33.0	6.5	16.5	13.3	3.6781	1.33817
The financial reporting reforms have a statistically significant relationship with the performance of County	26.4	42.1	9.9	8.0	13.6	3.8731	1.10134

Source: Researcher (2019)

Correlations Analysis

The outcome of the study shows that there is positive correlation between financial reporting reforms and

the performance of selected County Governments in Kenya, $r(171) = 0.673$, $p\text{-value} < 0.05$. Table 3 shows the summary of correlation results. The objective was to establish the

relationship between the financial reporting reforms and the performance of County.

Table 3
Correlation Results

		Financial reporting reforms	
Financial reporting reforms	Pearson Correlation	1	.673**
	Sig. (2-tailed)		.000
	N	171	171

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

Source: Researcher (2019)

Regression Results

Table 4 shows summary results of regression analysis for the five independent variables of the study. The co-efficient of determination, R^2 for the financial reporting reforms was 0.709 meaning that 70.9 % of performance of selected County Governments in Kenya can be explained

by financial reporting reforms with 29.1% being described by other reforms outside the variable. The findings dispute with hypothesis that the financial reporting reforms have no significant relationship with the performance of selected County Governments in Kenya.

Table 4
Model Summary on Independent Variables and Dependent Variable

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	P-Values
Financial reporting reforms	.673 ^a	.452	.451	.75496	.000
N=171					

Predictors: (Independent variables)

Source: Researcher (2019)

Analysis of Variance (ANOVA)

Table 5 indicates the summary results for the analysis of variance (ANOVA). The findings for provided a p-value of $0.000 < 0.05$ and F-statistic of 415.522. This indicated that the relationship between financial reporting

and the performance of selected County Governments in Kenya was significant at 95% confident level. Therefore, the financial reporting significantly increases the County Governments.

Table 5
Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Financial Reporting reforms Regression	236.834	1	236.834	415.522	.000 ^b
Residual	96.324	169	.570		

a. Dependent variable: Performance of County Governments

b. Predictors: (Constant), Independent variables

Source: Researcher (2019)

The model for the financial reporting reforms gave ANOVA regression sum squares of 236.834 and residual sum square of 96.324. The mean square for regression is

236.834 and a residual mean of 0.570. The results indicated that the overall model was statistically significant. The results further imply that the independent variables are good

predictors of the dependent variable which was supported by an F -statistics value of 415.522 with a p -value of 0.000 which was less than the conventional probability of 0.05 significance level.

VI. SUMMARY OF THE FINDINGS

The objective of the study was to determine the relationship between financial reporting reforms and the performance of selected County Governments in Kenya. The study hypothesized that financial reporting reforms have no significant relationship with the performance of selected County Governments in Kenya. The study found out that 67.3 % of the performance of selected County Governments in Kenya can be explained by financial reporting reforms with 32.7% being defined by other reforms outside the variable. This shows that financial reporting reforms are statistically significant in determining the performance of County.

VII. CONCLUSION

The findings on financial reporting reforms indicated a statistically significant relationship with the performance of selected County Governments in Kenya with the adoption of IPSAS, preparation of financial statements and generation of quality financial reports contributing to this relationship.

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LIST OF ABBREVIATIONS

CIDP	County Integrated Development Plan
CoK	Constitution of Kenya
CRA	Commission on Revenue Allocations
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
OECD	Organization for Economic Co-operation and Development
PFM	Public Financial Management