RELATIONSHIP BETWEEN INTERNAL CONTROLS AND MANAGEMENT OF PUBLIC FUNDS IN MARSABIT COUNTY, KENYA

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A DISSERTATION SUBMITTED TO SCHOOL OF BUSINESS AND LEADERSHIP STUDIES, ST. PAUL'S UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIRMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE
(FINANCE OPTION)

NOVEMBER, 2023

DECLARATION

This project is my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this project may be available for reference and photocopying, at the discretion of the University.

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DEDICATION

I dedicate this project to my family, classmates and friends who have supported me throughout the process of writing this project through their prayers and continuous advice.

ACKNOWLEDGEMENT

I thank God Almighty for the peace and good health during the research process. I recognize the determination of my supervisors Dr. Stephen Kanini and Dr. Daniel Kung'u in guiding and delivering invaluable knowledge throughout the research process.

ABSTRACT

The prudent management of public funds is a critical pillar of effective governance and sustainable development. Marsabit County, grapples with unique challenges in managing its public funds. The Auditor General's report on operations of the Marsabit County Executive for the year 2021/2022 also revealed that projects worth Kshs 118 million were initiated but had stalled due to lack of feasibility study on their viability. This clearly indicates the issues with public fund management therefore the study sought to assess the relationship between internal controls and management of public funds in Marsabit County, Kenya. Specifically, the study sought to assess the relationship between control environment and management of public funds, relationship between control activities and management of public funds, relationship between internal audit and management of public funds and relationship between risk assessment and management of public funds in Marsabit County, Kenya. The study was informed on the concept of the agency theory, stewardship theory and risk management theory. The study employed an explanatory research design. The target population was 54 employees in the county government of Marsabit drawn from the department of accounts and finance. Since the study population was small census technique was conducted. Questionnaires were used to collect primary data desirable for the study. A pilot study was conducted in Baringo County where five questionnaires were distributed to the finance officers. Content validity was ensured with the help of the research supervisors. The reliability was determined using Cronbach's alpha test. Both descriptive and inferential statistics were used. After data analysis, results were presented in form of tables. From the findings the study concluded that there exists a moderate positive and statistically significant relationship between control environment and management of public funds in Marsabit County, Kenya. The study also concluded that there is a positive and statistically significant relationship between control activities and management of public funds in Marsabit County, Kenya. The study also concluded that there is positive and statistically significant relationship between internal audit and management of public funds in Marsabit County, Kenya. In addition, the study concluded that there is a positive and statistically significant relationship between risk assessment and the management of public funds in Marsabit County, Kenya. From the findings of the study recommended that the county governments should implement robust systems and processes that promote checks and balances in financial transactions. The county governments should establish effective controls over revenue collection processes to minimize the risk of revenue leakage or misappropriation. Finally, the study recommends that the county governments should develop a robust risk management framework that identifies, assesses, and manages financial risks. This includes conducting risk assessments, implementing control measures to mitigate identified risks, and regularly monitoring and reviewing risk management activities

TABLE OF CONTENTS

DECLARATION ..... **ii**
DEDICATION ..... **iii**
ACKNOWLEDGEMENT ..... **iv**
ABSTRACT ..... **v**
TABLE OF CONTENTS ..... **vi**
LIST OF TABLES ..... **x**
LIST OF FIGURES ..... **xi**
ABBREVIATIONS AND ACRONYMS ..... **xii**
OPERATIONAL DEFINITION OF TERMS ..... **xiii**
CHAPTER ONE **1**
INTRODUCTION **1**
1.1 Background to the Study 1
1.1.1 Internal Controls 2
1.1.2 Management of Public Funds 4
1.1.3 Marsabit County 6
1.2 Statement of the Problem 7
1.3 Objectives of the Study 8
1.3.1 General Objective 8
1.3.2 Specific Objectives 8
1.4 Research Hypotheses 8
1.5 Significance of the Study 8
1.6 Scope of the Study 9
1.7 Limitations of the Study 9
CHAPTER TWO **10**
LITERATURE REVIEW **10**
2.1 Introduction 10
2.2 Theoretical Review 10
2.2.1 Agency Theory 10
2.2.2 Stewardship Theory 11
2.2.3 Risk Management Theory 12
2.3 Empirical Review 13
2.3.1 Control Environment and Management of Public Funds 13

2.3.2 Control Activities and Management of Public Funds 15
2.3.3 Internal Audit and Management of Public Funds 15
2.3.4 Risk Assessment and Management of Public Funds 17
2.4 Summary and Gaps 20
2.5 Conceptual Framework 22
2.5.1 Control Environment 22
2.5.2 Risk Assessment 23
2.5.3 Control Activities 23
2.5.4 Internal Audit 24
2.5.5 Management of Public Funds 24
CHAPTER THREE 26
RESEARCH METHODOLOGY 26
3.1 Introduction 26
3.2 Research Design 26
3.3 Target Population 26
3.5 Data Collection Instrument 27
3.6 Pilot Study 27
3.6.1 Validity 27
3.6.2 Reliability 28
3.7 Data Collection Procedure 28
3.8 Data Analysis and Presentation 28
3.9 Diagnostic Tests 29
3.9.1 Normality Test 29
3.9.2 Multicollinearity Test 29
3.9.3 Homoscedasticity Test 30
3.10 Ethical Considerations 30
CHAPTER FOUR 31
RESEARCH FINDINGS AND DISCUSSION 31
4.1 Introduction 31
4.2 Questionnaire Response Rate 31
4.3 Demographic Profile of the Respondents 31
4.3.1 Gender Representation 31
4.3.2 Participants Age 32
4.3.3 Participants Highest Education Qualification 32

4.3.4 Service Duration in Marsabit County Government 33
4.4 Reliability Test Results 33
4.5 Descriptive Statistics for the Study Variables 34
4.5.1 Control Environment and Management of Public Funds 34
4.5.2 Control Activities and Management of Public Funds 36
4.5.3 Internal Audit and Management of Public Funds 38
4.5.4 Risk Assessment and Management of Public Funds 39
4.5.5 Management of Public Funds in Marsabit County 41
4.6 Diagnostic Test Results 42
4.6.1 Normality Assumptions Test Results 42
4.6.2 Multicollinearity Assumptions Test 43
4.6.3 Homoscedasticity Test 44
4.7 Inferential Statistics 45
4.7.1 Correlation Analysis 45
4.8.1 Regression Model Summary 47
4.8.2 ANOVA of the Regression Model 48
CHAPTER FIVE 52
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 52
5.1 Introduction 52
5.2 Summary of Findings 52
5.2.1 Control Environment and Management of Public Funds 52
5.2.2 Control Activities and Management of Public Funds 52
5.2.3 Internal Audit and Management of Public Funds 53
5.2.4 Risk Assessment and Management of Public Funds 53
5.3 Conclusions 53
5.3.1 Control Environment and Management of Public Funds 54
5.3.2 Control Activities and Management of Public Funds 54
5.3.3 Internal Audit and Management of Public Funds 54
5.3.4 Risk Assessment and Management of Public Funds 55
5.3.5 Management of Public Funds in Marsabit County 55
5.4 Recommendations 55
5.5 Suggestion for Further Studies 56
REFERENCES 57
APPENDICES 66

APPENDIX I: INTRODUCTORY LETTER 66
APPENDIX II: RESEARCH QUESTIONNAIRE 67
APPENDIX III: NACOSTI RESEARCH PERMIT 72
APPENDIX IV: RESEARCH AUTHORIZATION 72
APPENDIX V: RESEARCH APPROVAL 74

LIST OF TABLES

Table 1: Summary and Gaps 20
Table 2: Target Population 27
Table 3: Response Rate 31
Table 4: Gender Representation 31
Table 5: Age of the Respondents 32
Table 6: Highest Education Qualification 32
Table 7: Service Duration in Marsabit County Government 33
Table 8: Reliability Analysis Results 33
Table 9: Control Environment and Management of Public Funds 34
Table 10: Control Activities and Management of Public Funds 36
Table 11: Internal Audit and Management of Public Funds 38
Table 12: Risk Assessment and Management of Public Funds 39
Table 13: Management of Public Funds in Marsabit County 41
Table 14: Normality Assumptions Test 43
Table 15: Multicollinearity Assumptions Test 43
Table 16: Correlation Matrix 45
Table 17: Regression Model Summary 48
Table 18: ANOVA of the Regression Model 48
Table 19: Regression Coefficients 49

LIST OF FIGURES

Figure 1: Conceptual Framework 22
Figure 2: Homoscedasticity Test 44

ABBREVIATIONS AND ACRONYMS

CMA	Capital Markets Authority
KMC	Kenya Meat Commission
NACOSTI	National Commission for Science, Technology and Innovations
PFM	Public Financial Management
PFMR	Public Finance Management Reforms
PIU	Project Implementation Unit
RM	Risk Management
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Control Activity — Refers to a specific action or procedure designed to mitigate risks and ensure that organizational objectives are achieved effectively and efficiently.
In this study control activity, refers to specific measures and procedures implemented to ensure proper financial management, accountability, and compliance with relevant regulations and laws.

Control Environment — Refers to the overall attitude, awareness, and actions of an organization's management and employees regarding internal control and ethical behavior. In this study, the control environment refers to the overall attitude, values, and ethical standards established by the government's leadership and management with regard to financial management and control activities.

Internal Audit — It refers to an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. In the context of the management of funds in county governments, internal audit refers to the independent and objective evaluation of financial processes, controls, and risk management practices within the county government.

Internal Control — Refer to a set of policies, procedures, and practices designed to ensure the accuracy, reliability, and integrity of financial and operational processes within the organization. In this study this will include control activities, control environment, internal audit and risk assessment

Management of Funds — Management of funds refers to the processes and activities involved in overseeing and controlling the financial resources of an organization or entity. In this study, it refers to the processes, practices, and activities involved in handling and overseeing the financial resources of the county.

Risk Assessment — Risk assessment is a systematic process of identifying, analyzing, and evaluating potential risks or uncertainties that could affect an organization's objectives. In this study, it refers to the process of identifying, evaluating, and prioritizing potential risks that may impact the financial management and utilization of funds.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Many companies need to provide reports on the quality of their financial reporting internal controls, requiring them to create specific documentation to support their certifications and claims. Internal control ensures efficient operations, accurate financial reporting, and conformity with applicable rules and regulations (Piper, 2015). Implementing a good internal control system can help companies prevent fraud, errors, and waste, ultimately reducing errors and omissions in the organization. Internal control and public fund management are crucial for overseeing and managing an organization's activities to improve prosperity and corporate accounting, with the goal of creating long-term value for shareholders (Beiner, 2016).

Efficient internal control systems increase operational effectiveness and efficiency, reduce asset loss, and aid in ensuring compliance with laws and regulations (Brown and Caylor, 2017). Due to increased pressure on corruption and public finance management globally, comprehensive internal control systems are required in all private and public organizations to ensure financial accountability and transparency. The human element is a critical aspect of the internal control system, as it is in Jordan, where efficient internal controls are required to manage public funds properly (Brown and Caylor, 2017).

Establishing a financial management and controls system is a time-consuming process that requires a clear overview of the actions and shared accountability for the end result. The Republic of Croatia has been working on constructing and enhancing an internal financial control system in accordance with European Union regulations since 2003 (Vesna, 2017). Internal control units are the first line of defense for safeguarding and managing government assets, preventing them from being manipulated and corrupted, which is all too common in the government sector due to the importance of public money for a country's survival (Ghneimat, 2017).

Ishola (2015) emphasized the importance of internal control in preventing fraud and irregularities at the Nigerian National Petroleum Corporation, where an effective system has been implemented to ensure legal government transactions. Babatunde and Olaniran (2017) also stressed the need for a sophisticated internal control system to prevent financial and

other fraudulent acts in Nigerian government activities. This has resulted in increased attention to internal control methods to protect against fraud and errors.

Wabwire and Bogonko (2019) stated that internal control plays a critical role in assisting the establishment of systems and encouraging decision-makers' responsibility in Kenyan county governments. Failure to develop a reliable system could affect accountability in the Kenyan public sector. A good internal control system benefits a business by preventing poor financial management, ensuring successful operations, and timely detection of errors and fraud.

Cheruiyot (2017) pointed out substantial shortcomings in public financial management in many government organizations in Kenya, leading to corporate failures, poor performance, wealth destruction, fraud, and corruption. Kinyua (2016) cited statistics from the Capital Markets Authority (CMA) 2014, indicating that many companies, especially publicly traded ones, have seen worsening financial performance in recent years. Olumbe (2016) emphasized that internal controls are fundamental to corporate governance and firms can review their policies and reform their internal control systems to achieve strong corporate governance. Therefore, organizations with a good internal control system are more likely to achieve their objectives efficiently and effectively, resulting in better management of public expenditures. Suitable internal control measures are necessary to hold public officials accountable for their operations and the authority assigned to them.

1.1.1 Internal Controls

Internal controls refer to the laws and processes established to safeguard an organization's assets, ensure accurate financial reporting, and promote compliance with laws and regulations, enabling effective and efficient operations (Aziz, 2015). These controls should cover accounting reporting policies and communication processes both locally and internationally. The implementation of internal control systems generates reasonable confidence that established objectives are achieved (Aramide & Bashir, 2015).

The control environment is the most crucial component of an organization's management since it reflects management's attitude and practices towards the importance of internal auditing in the economic unit (Tarmuji, 2016). The control environment tends to reduce illegal behavior in organizational processes, and the effectiveness of an institution's internal control mechanism is determined by the nature and role of the control environment (Piper, 2018). Therefore, the creation of a suitable control environment for government organizations is essential to their operational efficiency.

Control activities consist of rules, processes, and frameworks that ensure proper implementation of management directives. These activities ensure that the necessary procedures are followed to manage risks, leading to the achievement of organizational goals (Anderson, 2013). Proper reporting of policies and operational guidance on specific issues helps to specify how control operations should be carried out and provides auditors with sufficient information to evaluate the general adequacy of control implementation for financial management practices (Endaya & Hanefah, 2016).

Internal audit measures, analyzes, and assesses the efficiency and effectiveness of other management controls to ensure smooth administration, cost minimization, capacity utilization, and maximum benefit extraction (Unegbu & Kida, 2015). The management implements the internal audit as a component of the internal control system to ensure that financial activities are carried out correctly, following the law and the board of directors' wishes (Adeniji, 2016). Public sector officers must incur expenses according to stated financial instructions as determined by the internal audit to fulfill agreed-upon goals.

Risk assessment involves analyzing and creating plans to mitigate risks associated with achieving organizational goals. Control activities are management-generated processes and rules designed to ensure successful task completion for achieving organizational goals (Musah, 2018). Blagescu and Lloyd (2016) suggest that internal controls should be cost-effective while reducing risks to an acceptable level in line with organizational objectives. This means that tighter regulations in one area may result in higher expenses in other areas.

The County Governments have been working to enhance their internal controls as part of broader efforts to improve financial management, transparency, and accountability, (Ndung'u, 2018). The implementation of the Integrated Financial Management Information System (IFMIS) has been a significant step in streamlining financial processes and improving control measures within government entities. In 2017, the County Governments directed significant efforts towards reinforcing internal controls, improving financial management, and bolstering governance practices. One notable advancement during this year was the increased emphasis on adherence to the Public Finance Management Act (PFMA) and other pertinent regulations, (Amukowa, 2017). County governments were expected to align their operations with standards that promoted transparency, accountability, and effective resource management.

The year 2018 witnessed ongoing efforts to strengthen internal controls as a strategic means to counteract corruption, misallocation of public funds and financial mismanagement. County

governments were urged to adopt technology-driven solutions like the Integrated Financial Management Information System (IFMIS) to automate financial processes and enhance internal controls, (Micheni, 2019). The reports from the Auditor General's Office, (2018) underscored the presence of vulnerabilities in internal controls that resulted in irregular expenditures and financial improprieties. This underscored the significance of continuous improvement in internal control mechanisms to ensure sound financial governance.

In 2019, the focus on internal controls remained robust within Kenyan County Governments. However, the year presented challenges such as delayed fund disbursements, which in turn impacted the financial operations and management of county governments, (Ongore, 2020). This scenario further emphasized the critical role of strong internal controls in effectively managing funds, reducing wastage, and preventing fraudulent activities. The quarterly and annual reports from the Controller of Budget's Office continued to evaluate the financial health and performance of county governments, encompassing their adherence to internal control standards, (Okaka, 2019).

1.1.2 Management of Public Funds

Public funds, often referred to as government funds or taxpayer funds, constitute the financial resources collected by the government through various revenue streams such as taxes, fees, fines, and grants, (Kimani, Ochieng, & Mwangi, 2018). Public fund management refers to the systematic and judicious handling of financial resources owned or controlled by the government in order to achieve specific socio-economic objectives and meet the public's needs. It encompasses a series of processes that begin with the formulation of budgets and extend to the allocation, utilization, monitoring, and reporting of funds. The primary goal of public fund management is to ensure the optimal utilization of resources in a transparent, efficient, and accountable manner to enhance the welfare of the citizens and promote sustainable development.

Effective management of public funds is critical to ensure transparency, accountability, and the responsible allocation of resources for the betterment of society, (Kipyegon, & Bett, 2016). Public fund management plays a pivotal role in shaping the economic and social landscape of a nation. Proper management ensures that funds are allocated efficiently and effectively, addressing the needs of citizens and promoting sustainable development, (Mugambi, 2016). Adequately managed public funds enable governments to deliver essential

services such as education, healthcare, infrastructure, and public safety, which are fundamental to improving citizens' quality of life (Wollebæk, 2017).

Managing public funds involves a complex set of processes and practices to ensure financial transparency, efficiency, and accountability, (Musau, *etal*, 2017). Governments develop annual budgets that outline planned expenditures and revenue sources. Effective budgeting involves aligning spending with national priorities and ensuring fiscal discipline (Allen 2019). Transparent financial reporting allows citizens and stakeholders to assess how public funds are utilized. Regular audits and reports promote accountability and reduce the risk of financial mismanagement (UNDP, 2017).

In 2017, the management of public funds in County Governments was marked by efforts to enhance transparency and accountability. The Controller of Budget's reports indicated that several counties struggled with underspending, leading to funds being allocated but not fully utilized for development projects. This trend highlighted the need for improved financial planning and project implementation strategies (Controller of Budget, 2017). In 2018, there was a continued emphasis on enhancing financial accountability and proper utilization of public funds. The Controller of Budget's reports highlighted instances of budgetary overruns in some counties, indicating challenges in adhering to approved spending limits. However, efforts were being made to address these issues, with some counties improving their budget execution and financial reporting mechanisms (Controller of Budget, 2018).

In 2019, the management of public funds in County Governments of Kenya showed signs of improvement in certain areas. According to the Controller of Budget's reports, some counties were making strides in implementing recommendations from previous years, particularly in improving budgetary controls and expenditure tracking. There was also an increased focus on public participation in the budgeting process, allowing citizens to have a say in how public funds were allocated (Controller of Budget, 2019). In 2020, the management of public funds in County Governments faced unique challenges due to the COVID-19 pandemic. The pandemic led to disruptions in revenue collection and increased expenditures related to healthcare and emergency response. Many counties had to reallocate funds to address immediate health needs, which impacted planned development projects. However, the crisis also highlighted the importance of agile financial management and the need for counties to strengthen their fiscal resilience (Controller of Budget, 2020).

1.1.3 Marsabit County

Marsabit County is situated in the northernmost part of Kenya, covering an area of 70,961.2 sq. km. It shares a border with Ethiopia to the north and is adjacent to Turkana County to the west, Samburu County to the south, and Wajir and Isiolo counties to the east. The 2019 Kenyan population and housing census reported a population of 459,785 with a population density of 6 people per square kilometer and an annual growth rate of 2.8%, (Kenya National Bureau of Statistics, 2019). The primary economic activities in the county are livestock rearing and cross-border trade. Marsabit County has four constituencies, which are further divided into 20 electoral wards. The majority of the county comprises a vast plain that slopes gently towards the southeast and lies between 300m and 900m above sea level. The plain is bordered by hills and mountain ranges to the west and north and contains volcanic cones and calderas, (Republic of Kenya, 2019). The most significant physical feature in the area is the Chalbi Desert, which covers an area of 948 sq km and forms a large depression within the Great Rift Valley. The depression is separated from Lake Turkana, which is 65-100m lower in elevation, by a ridge that rises to 700m, (World Bank, 2021).

Marsabit County, like many other regions, contends with finite financial resources. The challenge lies in optimally distributing these resources among crucial sectors such as healthcare, education, infrastructure, and social welfare, necessitating thoughtful prioritization. The county's vast geographical expanse and rugged topography create logistical impediments for ensuring equitable access to public services and effective oversight of fund utilization. Marsabit County is particularly vulnerable to climate-related adversities, such as droughts and floods, which can strain public resources due to the need for swift emergency response and rehabilitation. Upholding transparency in the management of public funds, especially within decentralized systems, proves to be intricate. Establishing mechanisms for accountability and information dissemination to the public is paramount.

To address these challenges, Marsabit County has adopted a series of strategies for effective public fund management. A transparent and inclusive budgeting process, involving citizens and local stakeholders, can ascertain that fund allocation aligns with the true needs of the county. Technological integration is being harnessed to streamline financial processes, enhance accountability, and provide real-time updates on fund allocation, bolstering transparency and engagement. Empowering county officials with the skills required for effective financial management through training and capacity-building efforts is crucial. The county is also exploring the diversification of revenue streams to reduce reliance on central

government transfers. This includes the exploration of alternative revenue sources, such as tourism and local industries, to enhance financial stability. Engaging local communities in decision-making empowers them to voice their priorities, fostering a sense of ownership and ensuring funds are directed where they matter most.

1.2 Statement of the Problem

The prudent management of public funds is a critical pillar of effective governance and sustainable development. Marsabit County, grapples with unique challenges in managing its public funds. The Auditor General's report on financial operations of Marsabit County Executive for the year 2020/2021 revealed that Kshs 127 million was spent on domestic travel, subsistence and other transport costs against a provision of Kshs 87 million resulting in an over expenditure of Kshs 40 million. The Auditor General's report on operations of the Marsabit County Executive for the year 2021/2022 also revealed that projects worth Kshs 118 million were initiated but had stalled due to lack of feasibility study on their viability. This clearly indicates the issues with public fund management. In Marsabit County, there have been instances where citizens and local organizations have expressed concerns about the lack of transparency in the allocation and utilization of public funds. For example, during the construction of a major road project funded by the county government, community members requested information about the project's budget, expenditure details, and progress updates. However, the county authorities provided limited access to financial records and reports related to the project, leading to frustration and suspicion among the local population. Reports from local watchdog organizations highlighted this lack of transparency and called for more openness in financial reporting. This scenario not only hindered citizens' ability to oversee the allocation of funds but also eroded trust in the county administration's commitment to accountable fund management (UN-Habitat, 2022).

Several studies have been conducted on the effect of internal controls on the management of public funds, for instance, Mariwa and Nganga (2021) conducted a study on the effect of control environment on the management of public funds in Busia County, Kenya. The study found that control environment, control activities, internal audit and risk assessment had a positive and significant relationship with the management of public funds in Busia County, Kenya. Masha (2018) conducted a study on the effectiveness of internal control systems in management of funds in public sector at national sub- county treasuries in Kenya. The study revealed that internal control systems had a significant relationship with the management of funds. Lagat, (2016) conducted a study on the effect of internal control systems on financial

management in Baringo County government, Kenya. The study concluded that control activities and monitoring of information communication technology, significantly influences financial management as indicated by this analysis. However, from the reviewed literature, there is insufficient literature on the internal control in Marsabit County. Therefore, the study sought to assess the relationship between internal controls and management of public funds in Marsabit County.

1.3 Objectives of the Study

1.3.1 General Objective

The study general objective was to assess the relationship between internal controls and management of public funds in Marsabit County, Kenya.

1.3.2 Specific Objectives

i. To examine the relationship between control environment and management of public funds in Marsabit County, Kenya.
ii. To establish the relationship between control activities and management of public funds in Marsabit County, Kenya.
iii. To evaluate the relationship between internal audit and management of public funds in Marsabit County, Kenya.
iv. To determine the relationship between risk assessment and management of public funds in Marsabit County, Kenya.

1.4 Research Hypotheses

$H0_1$: Control environment does not have a statistically significant relation with the management of public funds in Marsabit County, Kenya.

$H0_2$: Control activities do not have a statistically significant relation with the management of public funds in Marsabit County, Kenya.

$H0_3$: Internal audit does not have a statistically significant relation with the management of public funds in Marsabit County, Kenya.

$H0_4$: Risk assessment does not have a statistically significant relation with the management of public funds in Marsabit County, Kenya.

1.5 Significance of the Study

The study findings will be of value to policymakers and management of County governments in Kenya. The study provides insights into the impact of internal control systems on the successful management of public funds, which can be used to formulate unique policies to

improve financial management in the public sector. The findings assist the national government and politicians in enhancing the quality and efficacy of public fund management.

The study offers invaluable benefits to managers and those charged with managing public funds. The findings help to streamline internal control systems, improve financial management in the public sector, and aid in the attainment of organizational objectives. The development partners, government, and stakeholders have a better understanding of internal control systems and factors that can improve their effectiveness in managing public funds. The study also provides insights to the Marsabit County administration on how to implement actions to guarantee that internal controls are properly handled to improve public money management.

This study aims to contribute to the existing theories by explaining the link between internal control systems and fund management. It explores how different theories such as agency theory, stewardship theory, institutional theory, and attribution theory can be applied to enhance internal control systems. The findings add to the body of knowledge and serve as a guide for future researchers. This study is also benefitting other researchers and academicians who intend to pursue similar studies. The findings address the gaps in the relationship between internal controls and public fund management by the Kenyan county governments, and provide a basis for further research in this area.

1.6 Scope of the Study

The study focused in assessing the relationship between internal controls and management of public funds in Marsabit County, Kenya. The independent variable of the study was control environment, control activities, internal audit and risk assessment. The dependent variable of the study is the management of public funds in Marsabit County, Kenya. The target population was 54 employees in the county government of Marsabit drawn from the department of accounts and finance. The study was conducted for a period of one year to effectively cover the issues.

1.7 Limitations of the Study

The researcher encountered various limitations. First some respondents were reluctant in revealing the requested data. This was resolved by assuring respondents that any information released would be kept strictly confidential. In addition, some respondents feared being victimized due to providing information on internal control that might be considered sensitive. This was mitigated by explaining to the respondents the intended aim is for study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter addresses theoretical review, review of empirical studies, summary and gaps and the study conceptual framework.

2.2 Theoretical Review

A theory is a collection of principles or statements developed to clarify a group of facts or phenomena, especially one that has been tested repeatedly or is widely accepted and can be used to predict natural phenomena (Creswell, 2006). The study was anchored on agency theory, stewardship theory, and risk management theory.

2.2.1 Agency Theory

The agency theory, developed by Jensen and Meckling (1976), explains the relationship between two parties: the principal party that assigns duties and responsibilities and the agent who executes those duties. The theory emphasizes the potential for conflicts of interest between the two parties, as the agent may act in their own self-interest rather than the principal's. The theory posits that a company consists mainly of a set of contracts between its economic resources (the owners, or principals) and its managers (the agents) who are responsible for managing the organization's assets (Ross, 1972).

The theory recognizes that agents often possess more information than principals, which can create information asymmetry that makes it difficult for principals to determine whether their organization's interests are being served by their agents. Therefore, the theory views organizations as necessary structures for establishing contracts that can help control agents' behavior (Jussi & Petri, 2014). A comprehensive contract that addresses the interests of both parties is required to reconcile the interests of principals and agents. The agency theory assumes that principals and agents act rationally, using contracts to maximize their wealth (Ross, 1972).

One limitation of the theory is moral hazard, where agents may work toward their own objectives rather than the principal's objectives. The agency theory has also been criticized for focusing only on the relationship between owners and managers and not considering deception or misappropriation of funds by agents (Laffont & David, 2002). Furthermore, agents may make decisions that are in their best interests, resulting in conflicts of interest and agency costs (Shankmann, 1999).

The agency theory is relevant to this study because internal controls are one-way organizations address agency issues and minimize the costs of agency that can impact profitability. The existence of internal audit, the nature of its job, and the specific approach internal auditors take can be explained using the agency theory. Additionally, the theory can help anticipate how organizational changes may affect internal auditors and how internal monitoring can distribute relevant knowledge about management actions to shareholders, decreasing information asymmetry and lowering investor risk. Therefore, the theory helps to explain the effect of internal audit on the management of public funds in Marsabit County, Kenya.

2.2.2 Stewardship Theory

Schoorman and Donaldson (1997) developed the stewardship theory, which defines a steward as someone who safeguards an investor's investment to optimize organizational profitability. The theory emphasizes employee empowerment and trust-based independence as essential for effective stewardship (Donaldson & Davis, 1997). According to the theory, staff and management should be as independent from investors as possible for optimal wealth development. Although Fama (1980) disagrees with the notion that managers need professional development to be good overseers, Shleifer (1997) argues that managers' financial returns to investors establish a positive reputation and encourage investors to re-invest with them.

As noted by Pirie and McCuddy (2007), stewardship theory promotes those good cultural practices in an organization, such as transparency, responsibility, accountability, and integrity. The theory encourages top management and the board of directors to work together to improve organizational performance in the foreseeable future by utilizing their capabilities (Schoorman, 2004). Contrafatto and Bebbington (2013) argue that the stewardship theory is built on organizational factors that rely on employees to work independently to ensure the organization succeeds. The theory encourages all employees, from top management to subordinates, to work hard so that all stakeholders can reap maximum benefits. Therefore, a stewardship structure is seen as collectivistic and cooperative, resulting in positive benefits for the organization. The theory also highlights organizational culture and the philosophies of the organization's leadership as core factors that influence the choice of an organizational structure (Zahra, 2008).

Organizational structures that accommodate and influence the choice of stewardship behavior facilitate maximum performance for the firm by reducing resource wastage. Eddleston and Udoayang (2012) suggest that a good organizational culture, which encourages responsibility, teamwork, and cooperation among employees, determines the choice of this theory. Stewardship theory stresses that managers can be responsible stewards of the assets they control if left to work independently. The theory is founded on the belief that managers can put collectivist options above self-centered interests, thereby working towards the organization's best interests. Such individuals strive to do what is best for the organization, believing that they will eventually benefit when the organization thrives.

However, the stewardship theory relies on trust and assumes that agents will always act in the interests of the organization. As a result, contractual arrangements might be less clear or formal or, in some cases, non-existent (Messier & Austen, 2000). This theory is relevant to this study because successful organizations operate from a stewardship perspective that goes beyond financial aspects. Stewardship theory supports the study because county accountants and internal auditors act as stewards of public funds and other economic affairs. By upholding a culture of selflessness, integrity, and trust, as emphasized by the stewardship theory, county accountants and internal auditors can ensure that all government transactions are accounted for, and the agenda for development is accomplished. Therefore, this theory helps explain the study's variable on control environment and control activities concerning the management of public finance.

2.2.3 Risk Management Theory

Wenk (2005) established the risk management theory, which states that the risk management model comprises risk identification, risk assessment, and prioritization of risks, followed by the coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. Risks can arise from various sources such as uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters, as well as deliberate attacks from adversaries or events of uncertain or unpredictable root-cause. Several risk management standards have been developed, including those by the Project Management Institute, the National Institute of Science and Technology, actuarial societies, and ISO standards. However, methods, definitions, and goals vary widely depending on whether the risk management method is in the context of project management, security, engineering,

industrial processes, financial portfolios, actuarial assessments, or public health and safety (Simkins & Fraser, 2010).

While undeniably useful in anticipating and addressing potential threats, it carries inherent limitations that warrant careful consideration. These critiques shed light on the areas where risk management theory might fall short in capturing the intricacies of today's dynamic business landscape. One prominent critique center around the theory's heavy emphasis on quantification. While quantifying risks aids in making informed decisions, this approach could inadvertently sideline qualitative risks that lack measurable metrics. This exclusive focus might render the theory ill-equipped to deal with outlier events those rare, unexpected occurrences that can disrupt even the well-calculated strategies. Furthermore, risk management sometimes overlooks the intricate interplay of risks within a larger system. By isolating risks and addressing them individually, this approach might neglect the possibility of interconnected risks amplifying each other's impact. This became starkly evident during the global financial crisis of 2008, where multiple isolated risks collectively led to a catastrophic outcome.

The theory is relevant to the current study in that risk management theory provides a comprehensive framework to understand how risk assessment influences the management of public funds. It highlights the importance of proactive risk identification, quantification, and mitigation in ensuring responsible governance, efficient resource allocation, and sustainable development. By integrating risk assessment into public fund management practices, governments can navigate uncertainties while safeguarding the interests of their constituents.

2.3 Empirical Review

2.3.1 Control Environment and Management of Public Funds

Omar and Yussuf, (2021) focused on the effect of control environment on the financial performance of higher learning public institutions in Zanzibar. The study used a descriptive research design. This study took a sample study approach with its target population being the different categories of staff in Administration levels and account/finance departments of Public Institutions of Higher Learning in Zanzibar. It took on the sample of 62 employees. Primary data was collected from sample population using open and close ended questionnaires. Descriptive statistics was used in the data analysis and information presented in statistical forms. The study realized that the control environment as indicators of internal control systems have a significant influence on the financial performance of the institutions

of higher learning in Zanzibar. However, the study targeted education sector while the current study was conducted in a county government institution.

Rizaldi (2015) focuses on how control environment within the Indonesian state corporations. The research was descriptive in nature. The questionnaires and interview schedules were used to gather the primary data. The analysis of data was done using descriptive analysis method. It was found that the local government of Padang Panjang's control environment affects the performance of Indonesian state corporations

Onsindu, (2022) conducted a study on the effect of control environment on management of local revenue by county governments of Kenya. Data was processed and analyzed using descriptive statistics such as frequencies, percentages, mean and standard deviation and inferentially using correlation and regression analysis to describe characteristics and show relationships that predict effective management of revenue in county governments. The hypotheses were tested statistically at the 0.05 level of significance. There was a significant positive relationship between the internal control environment and the management of local revenue. However, the study was conducted among several county government while this study was specific on one county government

Mariwa and Ng'ang'a, (2021) conducted a study on the effect of control environment on the management of public funds in Busia County, Kenya. The study employed a descriptive research design. The target population for this study was the County government of Busia. A total of 54 respondents participated in the study comprising of 10 finance officers and 44 support staff from the department of accounting and finance of the County. A census of 54 respondents was carried out. The study used primary data that was collected using questionnaires. The study found that control environment had a positive and statistically significant relationship with the management of public funds in Busia County, Kenya.

Ahmed and Nganga (2019) evaluated how control environment affected the public fund management in the County governments in the Kenyan Coast region. The study employed descriptive design. The total study population comprised of 30 employees from five departments within the Ministry in the Coastal region county government. A census method was used to carry out the study. Descriptive analyses together with the inferential statistics were employed in analyzing data. It was found that the control environment was significant to the government's budget management.

2.3.2 Control Activities and Management of Public Funds

Yao (2017) looked at how control activities were employed as a method of minimizing financial irregularities with Ghana public sector. A sample comprising of 100 respondents was obtained from all the organization's department in which data was collected from the sampled respondents using a questionnaire. The report from the Auditor General concerning the public account provided secondary data. Regression and correlation were the statistical approaches used. The study found that there are substantial links between control activities and good financial management in the public sector.

Wang'ombe and Kibati (2017) examined analysis of control activities on Nakuru county management of public funds. The study used an explanatory research approach and was done in the Nakuru County Government's Treasury, with the goal of identifying staff involved in financial management. The respondents were chosen using a stratified method of sampling. The process of collecting data was done with the aid of questionnaires and analysis of the data collected descriptively carried out. It was found that control activities had positive association with the use of County Government funds in regard to the study findings.

Njiru (2016) looked on the effect of control activities on money management in Kenyan public water corporations. This study employed a descriptive research design. The study's population consisted of 65 chief internal auditors in Kenyan urban WSPs. A purposive sampling of 60 chief internal auditors was used in the study. The research was based on primary data, which was obtained using a questionnaire. To evaluate the link between the variables, a correlation analysis was used, and a regression model was employed in determining how variables were significant to each other. The study findings revealed that there was a significant link between control actions and public water company management in Kenya's finances.

2.3.3 Internal Audit and Management of Public Funds

Ndifon (2019) examined the effect of the internal audit function on the financial performance of tertiary institutions in Nigeria using a cross-sectional survey design. The study targeted top management staff in both academic and non-academic divisions in the college. They collected data using questionnaires, interview guides, and reviewing available documents and records. The study found that all activities of the college were initiated by top management. The study also found that the internal audit department at the college was not sufficiently staffed and did not perform its duties with a greater degree of autonomy and independence from management.

Ondieki (2019) conducted a descriptive cross-sectional study to determine the impact of internal audit on the financial performance of commercial banks in Kenya. The study targeted all forty-three registered commercial banks in Kenya, and a purposeful sample of twenty commercial banks was selected. Questionnaires were administered to the selected respondents. The study findings indicated that an increase in internal audit standards, independence, professional competency, and internal control leads to an increase in the financial performance of commercial banks.

Wangui and Jagongo (2017) conducted a case study on internal auditing and financial performance of public institutions in Kenya, focusing on Kenya Meat Commission (KMC). They collected primary data from respondents using open and closed-ended questionnaires and employed descriptive statistics, time series, and regression analysis to analyze the data. The study found that the relationship between the existence of internal audit function and financial performance at the KMC was insignificant. Therefore, the existence of internal auditing does not influence profitability and return on investment.

Munene (2017) used a survey approach and a mixed-methods approach to determine the effects of internal controls on the financial performance of Embu County government. The target population of the study was all chief officers and heads of departments in the county. The study collected data using questionnaires, as well as reviewing available documents and records. The study found that the county government was not committed to strengthening internal controls in their operations. For instance, the internal audit department did not have adequate resources since they were understaffed, and their operations were mostly manual. Therefore, the study linked the flaws in financial management directly to the inefficiencies in the internal control processes at the county.

Jepkemei (2016) investigated the effectiveness of the internal audit function and financial management in county governments in Kenya. The study aimed to examine the relationship between audit committee effectiveness and financial management in county governments in Kenya. The study found that the structure of the department and the competency of staff determine the auditor's efficiency in setting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes in the county government. The audit structure, independence, audit charter, and audit staff members' technical skills are significant in financial management at a 5% level of significance and 95% level of confidence.

Nyaga (2016) conducted a study on the role of internal audit in promoting effective management by water service providers in Embu water and Sanitation Company limited. The study used qualitative and quantitative methods of data analysis. Descriptive method was applied on qualitative data. Scales of 1 – 5 were used to quantify the qualitative data which captured the roles and benefits of the internal audit. Quantitative data was fed to the computer and analyzed using SPSS version 17 program. Person model of analysis, charts and tables were used to present the results conveying visual impression of relationships. Correlation, coefficient was used to establish the relationship. In this study Person's correlation was determined at 1 tail test, 5% significant level and 95% confidence interval, and it was found to be 0.8999 which implies a very high correlation between variables cost of internal audit and revenue earned. The study revealed that staff who conducts regular audit activities which ensures effective management of funds.

2.3.4 Risk Assessment and Management of Public Funds

Dorozik (2020) proposed a score-based risk assessment as an approach to internal control to aid risk discovery. The assessment defines levels of impact and the likelihood of them happening for various risks. The score-based risk assessment ranks risk to evaluate its influence on the accomplishment of an organization's objectives. The assessment multiplies the impact value to the probability to produce a total score-based risk assessment. The risk score allows earlier risk detection, thus enabling front desk-action on the expected adverse consequences.

Okanga (2019) conducted a qualitative study on the financial risks management in public sector organizations. The study provided a meta-synthesis of theories and empirical studies on financial risk management in the South African public sector. The study found that the effectiveness of financial risk management in the contemporary South African public sector was still constrained by poor culture of financial risk avoidance, poor commitment of managers and political leaders, limited integration of financial risk management measures at municipal levels, weak internal audit systems, and technical loopholes in the existing regulatory frameworks. The study suggested that public sector risk managers adopt a comprehensive financial risk management framework coherently integrating essential key success factors encompassing a culture of risk avoidance, risk management structures, training and development, good governance, and ethics.

Wadesango and Mhaka (2018) focused on the effectiveness of risk management systems on financial performance in a public setting. The researchers employed a quantitative research approach and used a questionnaire to collect data from a sample of 50 respondents drawn from the ministry's departments in Harare region. The study found that the effectiveness of risk management in the ministry was negatively affected by major challenges such as lack of trained personnel resulting in a knowledge gap to adopt a formal system, non-existence of audit committees, and lack of management commitment and coordination.

Mwangi (2019) examined the effects of risk management on the financial performance of commercial banks in Kenya using a descriptive research design. Secondary data was collected from Central Bank and banks financial reports, and multiple regression analysis was used to analyze the data. The study found a strong positive relationship between risk management and financial performance of commercial banks in Kenya. However, the study also found a negative relationship between credit risk, insolvency risk, interest rate sensitivity, and financial performance of commercial banks. Conversely, the study revealed a positive relationship between capital adequacy, size of the banks, operational efficiency, and financial performance of commercial banks.

Hassan (2018) sought to examine the Risk-Based Compliance Management: An Empirical Study on the Assessment of Compliance Risks. The research focused on risk-based compliance management and the assessment of compliance risks. The study explored the impact of risk assessment on the identification and evaluation of compliance risks. The findings indicated that a systematic risk assessment process helps organizations prioritize resources, design appropriate control mechanisms, and ensure compliance with laws and statutory regulations.

Similarly, Newman (2018) assessed how risk assessment systems affect the administration of public finances using a quantitative research approach. The study found that having untrained employees had created a gap in the adoption of a formal system, lack of audit committees, and support from the management and coordination had greatly affected the Ministry's way of assessing the risk.

Finally, Archel (2017) sought to determine the Risk Management and Fraud Prevention in Small and Medium-sized Enterprises. The findings indicated that SMEs face specific fraud risks such as lack of resources, inadequate control systems, and limited fraud prevention measures. The research highlighted the importance of implementing tailored risk management strategies, such as internal control enhancements and employee fraud awareness programs, to protect assets and mitigate fraud risks.

2.4 Summary and Gaps

Table 1: Summary and Gaps

Author	Focus of the Study Findings	Findings of the Study	Research Gaps
Onsindu, Muturi and Kanali, (2022)	Effect of control environment and control activities internal control system on management of local revenue by county governments of Kenya.	There was a significant positive relationship between the internal control environment and the management of local revenue. There was also a significant positive relationship between internal control activities and the management of local revenue.	The study focused on number of count governments of Kenya
Omar and Yussuf, (2021)	Effect of control environment on the financial performance of higher learning public institutions in Zanzibar	The study realized that the control environment as indicators of internal control systems have a significant influence on the financial performance of the institutions of higher learning in Zanzibar.	However, the stud used purposiv sampling technique t select a sample size o 62 employees
Mariwa and Ng'ang'a, (2021)	Effect of control environment on the management of public funds in Busia County, Kenya.	The study found that control environment, control activities, internal audit and risk assessment had a positive and significant relationship with the management of public funds in Busia County, Kenya.	Nevertheless, the stud only focused on th control environment a the element of interna control and wa conducted in Busi County.
Wang'ombe and Kibati (2017)	Examined analysis of control activities on Nakuru county management of public funds.	The study findings revealed that control activities had positive association with the use of County Government funds.	However, the stud adopted an explanator research approach an was conducted i Nakuru Count Government.
Njiru (2016)	Effect of internal controls on money management in Kenyan public water corporations	The study findings revealed that there was a significant link between control actions and public water company management in Kenya's	However, a purposiv sampling of 60 chie internal auditors wer used in the study

		finances.	
Ondieki (2019)	Effect of internal audit on financial performance of commercial banks in Kenya.	The study found that a unit increase in internal audit standards would lead to increase in financial performance of commercial banks, a unit increase in independence of internal audit would lead to increase in financial performance of commercial banks.	The study targete banks of whic majority of them ar private institutions
Munene (2017)	Effects of internal controls on financial performance of Embu County government	The study findings revealed that the county government was not committed to strengthen the internal controls in their operations for instance, the internal audit department did not have adequate resources since they were understaffed and their operations were largely manual.	The study used bot quantitative an qualitative approach.
Ndifon (2019)	Effect of internal audit function on the financial performance of tertiary institutions in Nigeria.	From the findings, the study revealed that all activities of the College were initiated by the top management. The study found that the internal audit department at the College was not sufficiently staffed and did not perform their duties with greater degree of autonomy and independence from management	However, the stud was conducted in learning institutio (tertiary institutions i Nigeria) whic consisted of bot private and publi institutions

2.5 Conceptual Framework

The conceptual framework defines the variables needed in the research. The following framework describes how the variables under study relate to each other in which the independent variables include control environment, control activities, internal audit and risk management. The dependent variable is the management of public funds. This is shown in Figure 1.

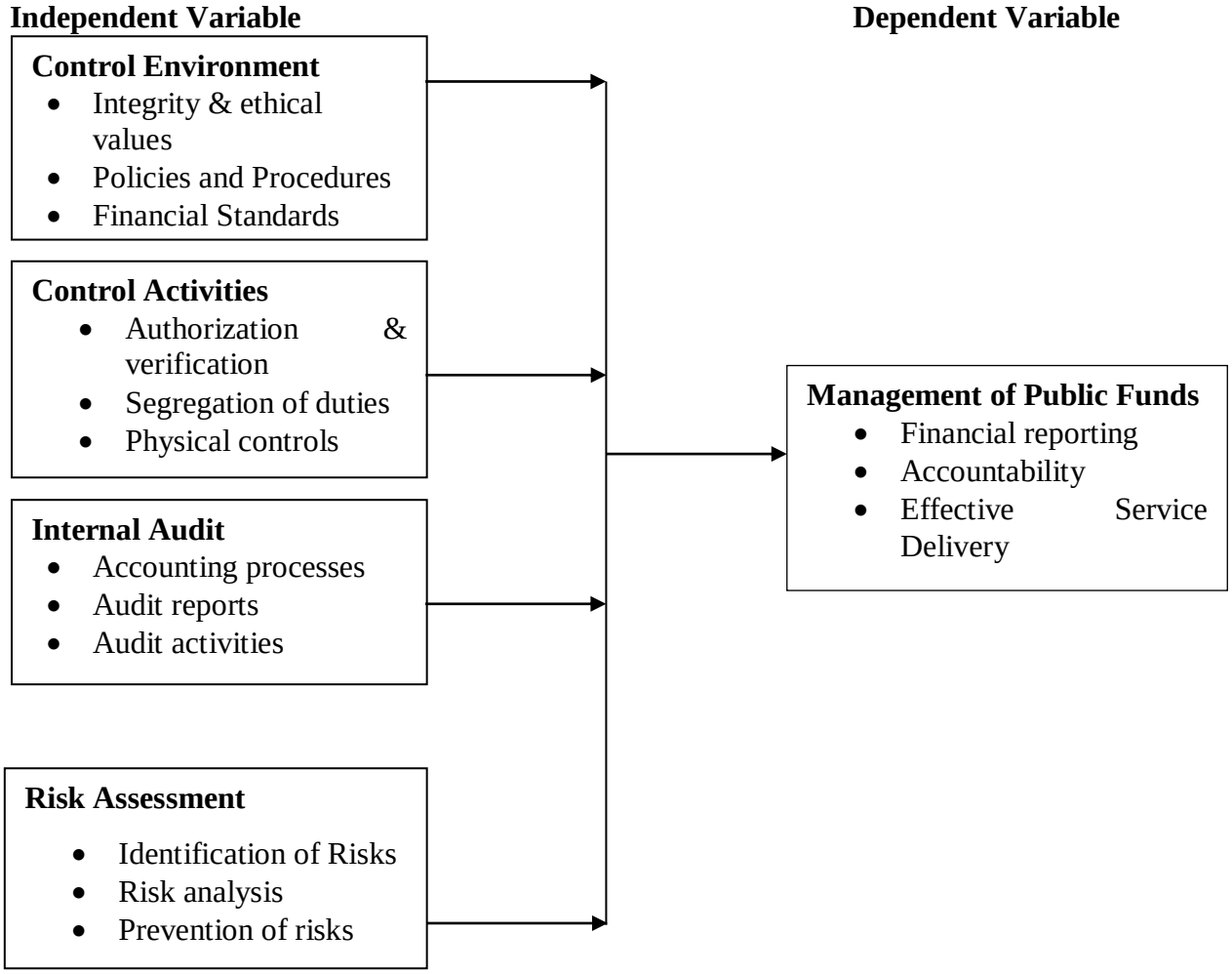


Figure 1: Conceptual Framework

Source: Researcher (2023)

2.5.1 Control Environment

The control environment establishes the tone for the entire organization's internal controls. For Marsabit County, promoting integrity and ethical values among its employees and leaders is crucial. By setting a strong ethical framework, the county can ensure that financial decisions and actions align with the best interests of the citizens. Training programs, codes of conduct, and ethical leadership from top officials can foster a culture of integrity that permeates financial operations.

The establishment and enforcement of clear policies and procedures are vital for effective financial management. Marsabit County should develop comprehensive financial policies that cover areas such as budgeting, procurement, revenue collection, and expenditure. These policies provide a standardized approach to financial processes, minimizing the risk of mismanagement and enhancing transparency.

Adhering to recognized financial standards is essential for consistent and accurate financial reporting. Marsabit County should adopt relevant financial reporting standards to ensure that financial statements are prepared in accordance with industry norms. This not only facilitates accurate financial analysis but also builds trust among stakeholders regarding the accuracy of the county's financial information.

2.5.2 Risk Assessment

Identifying potential risks is the foundation of effective risk management. Marsabit County needs to systematically identify financial risks that could impact its operations, such as revenue shortfalls, budgetary overspending, or misappropriation of funds. This process involves consultation with relevant stakeholders to ensure a comprehensive understanding of potential risks.

Once risks are identified, a thorough risk analysis is necessary. Marsabit County should assess the likelihood and potential impact of each identified risk. This analysis aids in prioritizing risks and allocating resources appropriately to manage them effectively. For instance, the county could prioritize risks related to revenue collection inefficiencies given their economic implications.

To prevent identified risks, Marsabit County should implement proactive measures. For example, if the risk assessment identifies a potential risk related to internal fraud, the county could implement internal controls like segregation of duties and authorization processes to minimize the risk of unauthorized transactions.

2.5.3 Control Activities

Authorization and verification processes ensure that transactions are approved by appropriate individuals and are accurate. Marsabit County should establish clear guidelines for transaction approval, requiring designated officials to review and authorize financial transactions before they are executed. This prevents unauthorized or fraudulent activities.

To prevent potential fraud or errors, duties should be segregated among different individuals. For instance, the same person shouldn't be responsible for both initiating and approving transactions. Marsabit County needs to assign different responsibilities to different employees to create checks and balances within the system. Physical controls safeguard assets and important financial documents. Marsabit County should implement physical security measures such as access controls to restricted areas, secure storage for financial records, and surveillance systems to deter and detect unauthorized access.

2.5.4 Internal Audit

Internal audits assess the effectiveness of accounting processes. Marsabit County should conduct regular internal audits of its financial operations to ensure compliance with policies, accuracy of financial data, and the reliability of financial reporting. These audits provide insights into areas that need improvement. Audit reports provide valuable feedback to Marsabit County's management and stakeholders. Following an internal audit, the county should prepare detailed audit reports highlighting findings, recommendations, and suggested corrective actions. These reports guide improvements and help ensure accountability.

Internal audits involve reviewing financial transactions, controls, and processes. Marsabit County's internal audit team should conduct comprehensive evaluations of key financial activities, focusing on areas prone to risks or inefficiencies. Regular audit activities can uncover potential issues and contribute to continuous improvement.

2.5.5 Management of Public Funds

The effective management of public funds is a cornerstone of good governance, fiscal responsibility, and the provision of essential public services. In this discussion, we will delve into three critical aspects of public fund management: financial reporting, accountability, and effective service delivery. These components are interconnected and play a pivotal role in ensuring transparency, citizen trust, and the responsible use of public resources.

Financial reporting is the process of documenting and communicating an organization's financial performance and position to stakeholders, including citizens, investors, and regulatory bodies. The ultimate goal of responsible public fund management is to ensure effective service delivery to citizens. Well-managed public funds enable governments to provide essential services, infrastructure, and public goods. Properly managed funds enable timely execution of projects and programs. Delays due to financial mismanagement can hinder the provision of critical services and erode citizen trust. Effective financial

management translates into better quality services. Sufficient funds allocated to healthcare, education, and other sectors result in improved facilities, skilled personnel, and enhanced service delivery.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter involves the methodology and techniques which were used in the study. The research design, target population, sampling design, information gathering instruments and data analysis would be discussed into details in this chapter.

3.2 Research Design

The study employed an explanatory research design. This is a type of research approach that aims to delve deeper into understanding the relationships between variables and uncover the underlying reasons or mechanisms behind observed phenomena. It seeks to explain why and how certain events, behaviors, or occurrences happen, (Smith, 2012). This design is particularly valuable when researchers want to elucidate causal relationships and provide more nuanced insights beyond mere descriptions. This research design is particularly appropriate for exploring causal relationships and understanding the underlying mechanisms that explain how internal controls impact the management of public funds. In this study, the independent variable is the presence and effectiveness of internal controls, while the dependent variable is the quality of public fund management. Explanatory research design allows researchers to explore how changes in the independent variable (internal controls) might lead to changes in the dependent variable (fund management quality) and to understand the relationship between the two, (Mwenda, 2014).

3.3 Target Population

The study population refers to the entire group of individuals, entities, or units that the researcher is interested in studying and drawing conclusions about. The target population was 54 employees in the county government of Marsabit drawn from the department of accounts and finance. Since the study population was less than 200 the study adopted census technique to include all the 54 respondents. The Target population was as indicated in Table 2

Table 2: Target Population

Departments	Finance
County Treasury	14
Agriculture, Livestock and Fisheries.	4
Health Services	6
Water Environment Energy and Natural Resources	4
Youth Culture Gender, Sport and Social Services	3
Public Services Training and Devolution	3
Infrastructure	7
Lands, Physical Planning and Housing	4
Industry, Marketing and Tourism minister	4
Education, Vocational Training ICT and e-Government	5
Total	**54**

3.5 Data Collection Instrument

Data was collected using a questionnaire as it provides more correct data that is obtained directly from the respondents. This is supported by Kealy and Turner (2013) who note that questionnaires give much more systematic answers allowing for easy and faster collection of data and much easier in analysing the data statistically. The questionnaire was structured in a Likert scale of 5 options as indicated in Appendix II.

3.6 Pilot Study

Piloting of questionnaires is important because it looks at its quality in giving valid and consistent results before going for the final study. Mugenda and Mugenda (2012) note that a tenth of the whole population that is homogeneous gives a representative number that can be studied for pilot study. In this regard, 5 respondents participate in the pilot study that was conducted in Baringo County. Further, these respondents were not part of the actual study.

3.6.1 Validity

Validity is the capability of the research instruments to determine what it is meant to measure (Cooper & Schindler, 2012). In this study, content validity, face and construct validity were used to measure the questionnaire contents and make sure that it is clear and it is of language that the respondents can understand without the help of a research assistant. The researcher involved the supervisor to evaluate the questionnaires items for validity.

Face validity is the simplest form of validity and involves determining whether a measurement "looks like" it's measuring what it's supposed to measure. Face validity was assessed through subjective judgments by experts especially the research supervisor. Content validity is concerned with whether a measurement comprehensively covers the entire domain of the concept being measured. It involves evaluating the items or questions in a

measurement instrument to ensure they adequately represent all aspects of the construct. Content validity was assessed through expert judgment, where subject matter experts review and rate the items for their relevance to the construct. Construct validity is the type of validity which assesses whether a measurement actually measures the theoretical construct it claims to measure. It involves examining the relationship between the measurement and other variables, as well as testing hypotheses about how the measurement should relate to other measures.

3.6.2 Reliability

The aim of testing the questionnaires for reliability is to check whether they will yield to consistent results. According to Ranjit (2015) reliability is a situation whereby when tested it will give the same results consistently even after repeated tests. The reliability was determined using Cronbach's alpha test whereby an alpha value closer to 1 was sought as recommended by Morse (2012) who observe that an instrument has a higher reliability when it achieves a correlation coefficient of greater than 0.7. Therefore, this study targets a correlation coefficient of 0.8.

3.7 Data Collection Procedure

The researcher first sought permission from the St Pauls' University to go out and collect data in form of introduction letter. After being granted the permission, the researcher then applied for authorization from National Commission for Science, Technology and Innovations (NACOSTI) to collect data from registered building contractors. With both the letter, the researcher proceeded to visit the administration of Marsabit County Government for introduction. The researcher then issued the questionnaires to the study respondent which was collected after two weeks. The time allocated for the respondents to fill in the questionnaires was meant to improve the response rate which is desired in this study since the sample size is small. This method of questionnaire distribution and collection is called Drop-Off and Pick-Up.

3.8 Data Analysis and Presentation

Data analysis is the procedure of assembling into order structuring coming up with the meaning to the mass of the information gathered (Cooper & Schindler, 2015). Data analysis comprises of cutting the acquired information into a manageable size, coming up with summaries, looking for patterns and applying statistical techniques. The data that was gathered in this study was quantitative in nature. Quantitative data was analyzed by

utilization of Statistical Package for Social Sciences (SPSS) version 24. Descriptive statistics was employed in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Inferential statistics comprised correlation and regression analysis. The analyzed data was presented in form of tables. Pearson correlation was used to determine the relationship between various independent variables on the dependent variable while regression analysis was used to establish the effect of the independent variables on the dependent variable. The following multiple linear regressions model was used.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……

Where:

Y= is the Management of Public Funds

β_0 = is the Constant Term

$\beta_1, \beta_2 \beta_3$ and β_4 are Beta coefficients

X_1 is the Control Environment

X_2 is the Control Activities

X_3 is the Internal Audit

X_4 is the Risk Assessment

e = Error Term

3.9 Diagnostic Tests

Preliminary diagnostic tests were undertaken to ensure suitability of undertaking parametric statistics (correlation and multiple linear regression). The preliminary diagnostic tests include linearity test, normality tests and multicollinearity.

3.9.1 Normality Test

Normality means that the distribution of the test is normally distributed. The assumption of normality is especially critical when constructing reference intervals for variables. There are two main methods of assessing normality: graphically and numerically. Numerically Shapiro-Wilk test as considered the best choice for testing the normality of data. Graphical methods include the histogram and normality plot.

3.9.2 Multicollinearity Test

Multicollinearity refers to when your predictor variables are highly correlated with each other. The assumption is only relevant for a multiple linear regression, which has multiple predictor variables. Multicollinearity can be checked in two ways: correlation coefficients

(correlation matrix) and variance inflation factor (VIF) values. If the predictors are multicollinear, they are strongly correlated. When using VIF values, the values must be below 10.00, and best case would be if these values were below 5.00. In this study Multicollinearity was determined by getting VIF values.

3.9.3 Homoscedasticity Test

The study also conducted a Homoscedasticity Test. Homoscedasticity refers to the assumption in statistics that the variances of the errors in a regression model are consistent across all levels of the independent variable(s). The study used scatter plot to determine homoscedasticity.

3.10 Ethical Considerations

This entailed obtaining necessary permission from both the administrators of the university and the management of the selected organizations. Their permission was useful in ensuring that this research study is successfully completed so that the findings collected in the consequent stages does not breach the rules and regulations laid down when undertaking this research work. Voluntary participation means all the people involved in the research do it out of free will. No one is forcing them. The employees had a choice to choose whether to participate at any point in time without having a negative impact on the program or their involvement in future. It was the right of the participants to answer the questions asked. Confidentiality means that information is not made public or accessed by anyone else other than the researcher himself. The employees were assured of the confidentiality of all the information provided. This assisted in improving the response rate of the respondents. This is where the participant has a right to privacy when involved in research. When something is private to a person it means they are sensitive about it. This is one of the most important ethics in research. To ensure the privacy, the employees were not required to indicate their name on the research questionnaire. This is where the participant has a right to privacy when involved in research. When something is private to a person it means they are sensitive about it. This is one of the most important ethics in research. To ensure the privacy, the employees were not required to indicate their name on the research questionnaire.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The purpose of the study was to investigate the relationship between internal controls and management of public funds in Marsabit County, Kenya. This chapter presents and discusses the research findings of the respondent's profile followed by both the descriptive and inferential analyses of the study objectives. The chapter also discusses the findings and their implications to the study.

4.2 Questionnaire Response Rate

The study targeted a sample size of 54 respondents out of which 50 filled and returned the questionnaires giving a response rate of 96%. Four questionnaires were not obtained from the respondents. Therefore, the response failure was 7%. With a 93% response rate, the study had a considerable sample size adequate for the research. According to Barbie (2014), a high response rate is advantageous since it greatly reduces non-response bias as compared to a low response rate.

Table 3: Response Rate

Sampled No. of Respondents	No. of Questionnaires Returned	Response Rate (%)
54	**50**	**93**

4.3 Demographic Profile of the Respondents

The study analyzed the demographic profile of the respondents based on the gender, age brackets and level of education and length of service in Marsabit County Government.

4.3.1 Gender Representation

The respondents were requested to indicate the gender distribution of the respondents. The findings of the study are shown in Table 4

Table 4: Gender Representation

Gender	F	%
Male	32	64
Female	18	36
Total	**50**	**100**

Source: Research Data (2023)

According to the data, 64% of the respondents were male whereas 36% were female. This implies that majority of employees in the department of accounts and finance in Marsabit county are male.

4.3.2 Participants Age

Participants were requested to give their age bracket and resulted tabulated in Table 5.

Table 5: Age of the Respondents

Age	F	%
20-30 Years	9	18
31-40 Years	20	40
41-50 Years	20	36
51 Years and Above.	3	6
Total	**50**	**100**

Source: Research Data (2023)

From the findings, 18% of the respondents were in the age bracket of 20-30 years, 40% of the respondents were in age bracket of 31-40 years, 36% were in age bracket of 41-50 years while 6% were in the age bracket of 51 plus years. This implies that the majority of the employees in the county government of Marsabit were in the bracket of 31-40 years.

4.3.3 Participants Highest Education Qualification

The respondents were requested to indicate their highest education qualification. The findings are indicated in table 6

Table 6: Highest Education Qualification

Education Qualification	F	%
Diploma	3	6
Bachelor's Degree	26	52
Master's Degree	20	40
PhD	1	2
Total	**50**	**100**

Source: Research Data (2023)

From the findings, 6% of the respondents indicated that they had diploma as their highest level of education, 52% indicated that they had bachelor's degree as their highest level of education, 40% indicated that they had master's degree as their highest level of education, while 2% indicated that they had PhD as their highest level of education. This implies that majority of the respondents had bachelor's degree and master's degree as their highest level of education.

4.3.4 Service Duration in Marsabit County Government

The respondents were requested to indicate the duration they have been working in the County Government

Table 7: Service Duration in Marsabit County Government

Years	Frequency	Percentage
Less than 1 Year	3	6
1-5 Years	14	28
6-10 Years	23	46
More than 11 Years	10	20
Total	**50**	**100**

Source: Research Data (2023)

From the 6% of the respondents stated they have been working for less than 1 year, 28% of the respondents stated that they have been working for 1-5 years, 46% stated that they have been working for 6-10 years while 10% stated that they have been working in the county government of Marsabit for more than 11 years. This implies that majority of the respondents have been in the organization for 1-5 years and 6-10 years hence they had vast knowledge concerning internal controls on the management of public funds in Marsabit County, Kenya.

4.4 Reliability Test Results

A statistical coefficient Cronbach's Alpha (α) was used as a measure of internal reliability using the Statistical Package for Social Sciences (SPSS) software version. The value of Cronbach's alpha coefficients ranges between 0 and 1. Reliability test results are presented in Table 8

Table 8: Reliability Analysis Results

Variable	No. of Items	Cronbach's Alpha Value
Control Environment	8	0.942
Control Activities	9	0.898
Internal Audit	6	0.929
Risk Assessment	8	0.851
Management of Public Funds	6	0.905

Source: Research Data (2023)

From the findings control environment had a Cronbach's alpha coefficient of 0.942. Control activities had Cronbach's alpha coefficient of 0.898. The internal audit had a Cronbach's alpha coefficient of 0.929. Risk assessment had a Cronbach's alpha coefficient of 0.851. The management of public funds had a Cronbach's alpha coefficient of .905. This thus shows that

all the variables had a Cronbach's alpha greater than 0.7 and hence the research instrument was reliable

4.5 Descriptive Statistics for the Study Variables

The section describes descriptive statistics for the study variables. The findings are presented in form of percentage, mean and standard deviation

4.5.1 Control Environment and Management of Public Funds

The first objective of the study sought to establish the relationship between control environment and management of public funds in Marsabit County, Kenya. The findings of the study are shown in Table 9

Table 9: Control Environment and Management of Public Funds

Control Environment Statement	SA	A	N	D	SD	N	Mean	Std
Integrity and ethical values have contributed to the accountability of the County employees	18%	64%	6%	12%	0%	50	3.88	.849
Strict adherence to the general values of ethics in the county influences management of public funds	22%	32%	22%	24%	0%	50	3.52	1.092
Ethical values are upheld in all management decisions	30%	40%	18%	12%	0%	50	3.88	.982
The county established control activities to effectively and efficiently manage the public funds	42%	30%	16%	12%	0%	50	4.02	1.040
The county has policies and procedures that help ensure management public funds.	36%	34%	18%	12%	0%	50	3.94	1.018
The county has installed financial reporting and accounting system.	44%	28%	16%	12%	0%	50	4.04	1.049
The front desk accountant and financial management staff follows accounting reporting standards	44%	30%	12%	10%	4%	50	4.00	1.161
Appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system.	42%	30%	16%	12%	0%	50	4.02	1.040

From the findings 18% of the respondents strongly agreed that integrity and ethical values have contributed to the accountability of the county employees, 64% of the respondents agreed, 6% were neutral while 12% disagreed that integrity and ethical values have contributed to the accountability of the County employees with a mean of 3.88 and std dev of 0.849. In addition, 22% of the respondents stated that strict adherence to the general values of ethics in the county influences management of public funds while 32% agreed, 22% were neutral while 24% disagreed with a mean of 3.52 and a standard deviation of 1.092

Also, from the findings, 30% of the respondents strongly agreed that ethical values are upheld in all management decisions, 40% agreed, 18% were neutral while 12% disagreed that ethical values are upheld in all management decisions with a mean of 3.88 and a standard deviation of 0.982. Additionally, from the findings, 42% strongly agree that the county established control activities to effectively and efficiently manage the public funds, 30% agreed, 16% were neutral while 12% disagree that the county established control activities to effectively and efficiently manage the public funds with a mean = 4.02 and a standard deviation of 1.040.

Further, 36% of the respondents strongly agree that the county has policies and procedures that help ensure management public funds, 34% agree, 18% were neutral while 12% disagree that the county has policies and procedures that help ensure management public funds with a mean of 3.94; and a standard deviation of 1.018. Additionally, 44% of the respondents strongly agree that the county has installed financial reporting and accounting system, 28% agreed, 16% were neutral while 12% disagree with a mean of 4.04 and a standard deviation of 1.049. Furthermore, 44% of the respondents strongly agreed that the front desk accountant and financial management staff follows accounting reporting standards, 30% agreed, 12% were neutral while 10% disagree and 4% strongly disagreed that the front desk accountant and financial management staff follows accounting reporting standards with a mean of 4.00 and a standard deviation of 1.161.

From the findings 42% of the respondents strongly agree that appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system, 30% agreed, 16% were neutral while 12% disagree that appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system with a mean of 4.02 and a standard deviation of 1.040. The study is in line with which concluded that when producing financial

reports containing comparison data, calculated differences are included so the reader can more easily digest the data.

4.5.2 Control Activities and Management of Public Funds

The second objective of the study sought to examine relationship between control activities and management of public funds in Marsabit County, Kenya. The respondents were asked to indicate the aspect of control activities. The results were as shown in Table 10

Table 10: Control Activities and Management of Public Funds

Control Activities Statement	SA	A	N	D	SD	N	Mean	Std
The County enforce clear authorization and approval procedures	42%	30%	16%	12%	0%	50	3.94	1.018
Proper verification before and after incurring any expenditure is strictly adhered to.	44%	28%	16%	12%	0%	50	4.04	1.049
Verification and reconciliation of records play a role in financial accountability	44%	30%	12%	10%	4%	50	4.00	1.161
Authorization assists in promoting financial accountability.	22%	54%	12%	12%	0%	50	3.86	.904
Segregation of duties has a role in enhancing financial accountability	30%	30%	12%	24%	4%	50	3.58	1.263
Segregation of duties in the county has resulted to improved management of funds in the accounts department.	18%	54%	16%	12%	0%	50	3.78	.887
There is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff	14%	52%	18%	16%	0%	50	3.64	.921
Controls are in place to exclude incurring expenditure in excess allocated funds	22%	38%	16%	12%	12%	50	3.46	1.297
The county has properly designed procedures of handling various financial documents which leads to effective management funds	34%	34%	10%	14%	8%	50	3.72	1.294

From the findings 42% of the respondents strongly agreed that the county enforce clear authorization and approval procedures, 30% agreed, 16% were neutral while 12% disagreed that the county enforce clear authorization and approval procedures with a mean of 3.94 and a standard deviation of 1.018. In addition, 44% of the respondents strongly agreed that proper verification before and after incurring any expenditure is strictly adhered to while 28% agreed, 16% were neutral while 12% disagreed that proper verification before and after incurring any expenditure is strictly adhered to with a mean of 4.04 and a standard deviation of 1.049

Also, from the findings, 44% of the respondents strongly agreed that verification and reconciliation of records play a role in financial accountability, 30% agreed, 12% were neutral while 10% disagreed and 4% strongly disagree with a mean of 4.00 and a standard deviation of 1.161. Additionally, from the findings, 22% of the respondents strongly agree that authorization assists in promoting financial accountability 54% agreed, 12% were neutral while 12% disagree that authorization assists in promoting financial accountability with a mean of 3.86 and a standard deviation of 0.904. Further, 30% of the respondents strongly agreed that segregation of duties has a role in enhancing financial accountability, 30% agreed, 12% were neutral 24% disagreed, while 4% strongly disagree that segregation of duties has a role in enhancing financial accountability with a mean of 3.58; a standard deviation of 1.263. Additionally, 18% strongly agreed that the county has resulted to improved management of funds in the accounts department, 54% agreed, 16% were neutral while 12% disagree that segregation of duties in the county has resulted to improved management of funds in the accounts department (Mean of 3.78 and a standard deviation of 0.887)

Furthermore, 14% of the respondents strongly agree that there is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff, 52% agreed, 18% were neutral while 16% disagree with a mean of 3.64 and a standard deviation of 0.921. Further, 22% of the respondents strongly agree that controls are in place to exclude incurring expenditure in excess allocated funds 38% agree, 10% were neutral 14% disagree while 8% strongly disagree that controls are in place to exclude incurring expenditure in excess allocated funds with a mean of 3.46 and a standard deviation of 1.297. In addition, 22% of the respondents strongly agree that the county has properly designed procedures of handling various financial documents which leads to effective management funds, 38% agree, 10% of the respondents were neutral 14% disagree while 8% strongly disagree that the county has

properly designed procedures of handling various financial documents which leads to effective management funds with a mean of 3.72; a standard deviation of 1.294.

4.5.3 Internal Audit and Management of Public Funds

The third objective of the study sought to establish the relationship between internal audit and management of public funds in Marsabit County, Kenya. The respondents were asked to indicate the aspect of internal audit. The results were as shown in Table 11

Table 11: Internal Audit and Management of Public Funds

Internal Audit Statement	SA	A	N	D	SD	N	Mean	Std
The County internal audit staff conduct regular audit activities which ensures effective management of funds	48%	28%	14%	10%	0%	50	4.140	1.010
Internal audit report addresses weaknesses in the County's internal control system	38%	36%	16%	10%	0%	50	4.020	.979
Internal auditor makes appropriate recommendations for management to improve	42%	36%	12%	10%	0%	50	4.100	.974
Internal auditor performs their duties with a greater degree of autonomy and independence from management	54%	24%	14%	6%	2%	50	4.220	1.036
Internal audit staff visits Sub County offices frequently	44%	34%	34%	12%	10%	50	4.120	.982
Budget reviews assist in enhancing financial accountability in county	46%	38%	8%	6%	2%	50	4.200	.969

From the findings 48% of the respondents strongly agreed that the county internal audit staff conduct regular audit activities which ensures effective management of funds, 28% agreed, 14% were neutral while 10% disagreed that the county internal audit staff conduct regular audit activities which ensures effective management of funds with a mean of 4.140 and a standard deviation of 1.010. In addition, 38% of the respondents strongly agreed that internal audit report address weaknesses in the county's internal control system 36% agreed, 16% were neutral, 10% disagreed that internal audit report address weaknesses in the County's internal control system with a mean of 4.020 and a standard deviation of 0.979

From the findings 42% of the respondents strongly agreed that internal auditor makes appropriate recommendations for management to improve, 36% agreed, 12% were neutral

10% disagreed while 4% strongly disagree that internal auditor makes appropriate recommendations for management to improve (mean of 4.100; a standard deviation of 0.974).

Additionally, from the findings 54% of strongly agreed that internal auditor performs their duties with a greater degree of autonomy and independence from management, 22% agreed, 14% were neutral 6% disagree while 2% strongly disagree that internal auditor performs their duties with a greater degree of autonomy and independence from management (mean of 4.220; a standard deviation of 1.036). Further, 44% strongly agree that budget reviews assist in enhancing financial accountability in county, 34% agreed, 34% were neutral, 12% disagreed, while 10% strongly disagree that internal audit staff visits Sub County offices frequently (Mean of 4.120; a standard deviation of 0.982). Additionally, 46% of the respondents strongly agree that budget reviews assist in enhancing financial accountability in county, 38% agreed, 8% were neutral, 6% disagreed while 2% strongly disagree that budget reviews assist in enhancing financial accountability in county (mean of 4.200; a standard deviation of 0.969).

4.5.4 Risk Assessment and Management of Public Funds

The fourth objective of the study sought to establish the relationship between risk assessment and management of public funds in Marsabit County, Kenya. The respondents were asked to indicate the aspect of risk assessment. The results were as shown in table 12.

Table 12: Risk Assessment and Management of Public Funds

Statements on Risk Assessment	SA (%)	A (%)	N (%)	D (%)	SD (%)	N	Mean	Std.
Risks are identified to help protect assets and reduce the possibility of fraud	36	30	20	10	4	50	3.840	1.149
Risk identification is carried out to improve efficiency in operations	36	36	14	12	2	50	3.920	1.085
Assessment of risk ensures compliance with laws and statutory regulations	26	34	24	14	2	50	3.680	1.077
The county security system identifies and safeguards institutional Assets	44	32	10	12	2	50	4.040	1.106
Measures to mitigate significant risks such as frauds have been put in place	32	50	8	8	2	50	4.020	.958
Prevention, control and management of risk affect financial accountability	46	34	10	2	8	50	4.080	1.175

Sound and acceptable accounting procedures are adhered to in the county to mitigate financial risks	44	28	16	12	0	50	4.040	1.049
Measures to mitigate significant risks such as frauds have been put in place	46	32	14	8	0	50	4.160	.955

From the findings 36% of the respondents strongly agreed that the risks are identified to help protect assets and reduce the possibility of fraud, 30% agreed, 20% were neutral 10% disagreed while 4% strongly disagree that risks are identified to help protect assets and reduce the possibility of fraud with a Mean of 3.840, a standard deviation of 1.149. In addition, 36% of the respondents strongly agreed that risk identification is carried out to improve efficiency in operations 36% of the respondents agreed, 14% were neutral, 12% disagreed while 4% strongly agreed that risk identification is carried out to improve efficiency in operations with a mean of 3.920, a standard deviation of 1.085.

In addition, 26% of the respondents strongly agreed that assessment of risk ensures compliance with laws and statutory regulations, 34% agreed, 24% were neutral, 14% disagreed while 2% strongly disagree that assessment of risk ensures compliance with laws and statutory regulations with a mean of 3.680, a standard deviation of 1.077. Additionally, 44% of the respondents strongly agree that the county security system identifies and safeguards institutional assets, 32% agreed, 10% were neutral, 12% disagreed while 2% strongly disagree that the county security system identifies and safeguards institutional with a mean of 4.040, a standard deviation of 1.106. Further, 32% indicated strongly agree that measures to mitigate significant risks such as frauds have been put in place, 50% agreed, 8% were neutral, 8% disagree while 2% strongly disagree that measures to mitigate significant risks such as frauds have been put in place a mean of 4.020, a standard deviation of 0.958. Additionally, 46% of the respondents strongly agree that prevention, control and management of risk affect financial accountability, 34% agreed, 10% were neutral, 2% disagreed while 8% of the respondents strongly disagree that prevention, control and management of risk affect financial accountability mean of 4.080, a standard deviation of 1.175)

Furthermore, 44% of the respondents strongly agreed that sound and acceptable accounting procedures are adhered to in the county to mitigate financial risks, 28% agreed, 16% were neutral while 12% disagree that sound and acceptable accounting procedures are adhered to

in the county to mitigate financial risks with mean of 4.040; a standard deviation of 1.049). Further, 46% of the respondents strongly agreed that measures to mitigate significant risks such as frauds have been put in place, 32% agreed, 14% indicated neutral while 14% indicated disagree and 8% indicated strongly disagree that measures to mitigate significant risks such as frauds have been put in place with a mean of 4.160; a standard deviation of 0.955.

4.5.5 Management of Public Funds in Marsabit County

The dependent variable of the study was to establish the management of public funds in Marsabit County, Kenya. The respondents were asked to indicate the aspect of management of public funds in Marsabit County. The results were as shown in Table 13

Table 13: Management of Public Funds in Marsabit County

Management of Public Funds	SA (%)	A (%)	N (%)	D (%)	SD (%)	N	Mean	Std. Deviation
The county has been able to effectively account for the funds it receives for the past two financial years	44	28	14	12	2	50	4.000	1.125
The county has improved in its annual financial reporting	52	24	12	10	2	50	4.140	1.107
The county's annual financial reports are in consistency with those of the auditor general.	30	52	8	10	0	50	4.020	.892
The county periodically prepares income and expenditure statements	32	34	10	20	4	50	3.700	1.233
The staff of the county submits reports for business advances in a timely manner.	40	38	12	10	0	50	4.080	.966
The county produces cash flow statements regularly which indicates projected cash inflows and outflows	22	50	12	14	2	50	3.760	1.021

From the findings 44% strongly agreed the county has been able to effectively account for the funds it receives for the past two financial years, 28% indicated agreed, 14% were neutral while 12% disagreed while 2% indicated strongly disagree that the county has been able to effectively account for the funds it receives for the past two financial years with a mean=3.840, SD=1.149. In addition, 52% of the respondents strongly agreed that the county has improved in its annual financial reporting while 24% agreed, 12% were neutral, 10%

disagreed while 2% strongly agreed that the county has improved in its annual financial reporting with a mean of 3.920; a standard deviation of 1.085

Also, from the findings, 30% of the respondents strongly agreed that the county's annual financial reports are in consistency with those of the auditor general, 52% agreed, 8% were neutral while 10% disagree that the county's annual financial reports are in consistency with those of the auditor general with a mean with a mean 3.680; a standard deviation of 1.077. Additionally, from the findings, 32% of the respondents strongly agree that the county periodically prepares income and expenditure statements, 34% agreed, 10% were neutral, 20% disagreed while 4% strongly disagree that the county periodically prepares income and expenditure statements with a mean of 4.040, a standard deviation of 1.106. Further, 40% of the respondents strongly agree that the staff of the county submits reports for business advances in a timely manner, 38% agreed, 12% were neutral while10% disagree that the staff of the county submits reports for business advances in a timely manner with a mean of 4.020; a standard deviation of 0.958. Additionally, 22% of the respondents strongly agree that the county produces cash flow statements regularly, 50% agreed, 12% were neutral 14% disagreed while 2% strongly disagree that the county produces cash flow statements regularly which indicates projected cash inflows and outflows with a mean of 4.080; a standard deviation of 1.175.

4.6 Diagnostic Test Results

The study tested for normality assumptions, homoscedasticity assumptions, Multicollinearity assumptions, and linearity assumptions.

4.6.1 Normality Assumptions Test Results

The study used the Kolmogorov-Smirnov test (K-S) one sample test while testing the assumption of the normality of the population distribution. This test is used when $n \geq 50$. If Kolmogorov-Smirnov values are greater than 0.05, the data is a normal distribution. Normality assumptions tests are presented in Table 14

Table 14: Normality Assumptions Test

Variable	Kolmogorov- Smirnov	Sig
Control Environment	.263	.295
Control Activities	.184	.783
Internal Audit	.256	.305
Risk Assessment	.196	.618
Management of Public Funds	.271	.182

The study findings indicated that control environment had a Kolmogorov-Smirnov significance value of p=.263>0.05. Control activities had a Kolmogorov-Smirnov significance value of p=.184>0.05. Internal audit had a Kolmogorov-Smirnov significance value of p=.256>0.05. Risk assessment had a Kolmogorov-Smirnov significance value of p=.196>0.05. Management of public funds had a Kolmogorov-Smirnov significance value of p=.271>0.05. Since the p-values were greater than the significance level (0.05), this implies that the data were normally distributed.

4.6.2 Multicollinearity Assumptions Test

Multicollinearity means that two or more of the independent variables are highly correlated and this situation can have damaging effects on the results of multiple regression. Multicollinearity was assessed using the tolerance and variance inflation factors (VIF). A VIF Value of 2.5 or above indicates the presence of multi-collinearity while a tolerance value of below 0.25 will indicate the presence of multi-collinearity (Kothari, 2004). The study result is presented in Table 15

Table 15: Multicollinearity Assumptions Test

Variables	Tolerance	VIF
Control Environment	.662	1.511
Control Activities	.876	1.142
Internal Audit	.889	1.125
Risk Assessment	.775	1.290
Management of Public Funds	.592	1.689

The study results imply that all tolerance values for the four variables under study were all above 0.10 and VIF values all less than 10, which were in accordance with Feild (2009). This gives an implication that the data used had no Multicollinearity.

4.6.3 Homoscedasticity Test

The study conducted a homoscedasticity test using scatter plot diagram the findings are as indicates in Figure 2

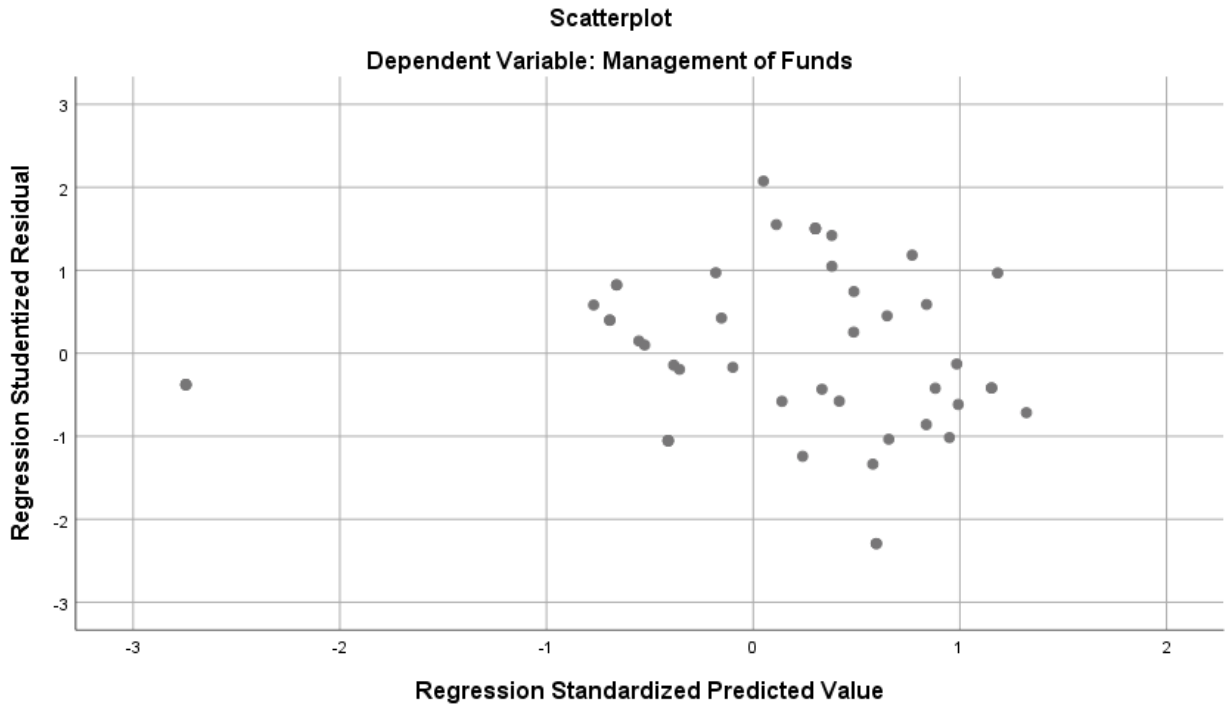


Figure 2: Homoscedasticity Test

From the findings the points were unevenly scattered around the horizontal axis with no discernible pattern which implies there was no homoscedasticity.

4.7 Inferential Statistics

The researcher undertook inferential statistics to make predictions of the relationship between variables and to test hypotheses.

4.7.1 Correlation Analysis

The researcher undertook correlation analysis to measure and assesses the strength and direction of the relationship between two or more variables.

Table 16: Correlation Matrix

		Management Public Funds	Control of Environment	Control Activities	Internal Audit	Risk Assessment
Management of Public Funds	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	50				
Control environment	Pearson Correlation	.607**	1			
	Sig. (2-tailed)	.000				
	N	50	50			
Control activities	Pearson Correlation	.712**	.849**	1		
	Sig. (2-tailed)	.000	.000			
	N	50	50	50		
Internal audit	Pearson Correlation	.828**	.569**	.679**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	50	50	50	50	
Risk assessment	Pearson Correlation	.800**	.554**	.650**	.836**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	50	50	50	50	50

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

The study conducted a correlation analysis between control environments and management of public funds in Marsabit County, Kenya. The findings indicated that r=0.607 and p=0.000. This indicated that there exists a strong positive and significant relationship between control environment and management of public funds in Marsabit County, Kenya. Therefore, the findings imply that control environment enhances management of public funds in Marsabit County, Kenya. Mawanda, (2018) found that control environment has a positive and significant effect on management of fund. The findings also concur with those of Doyle and McVay (2017) which uncovered that internal control environment in an organization is positively related to its funds management practices and the success of such practices.

In addition, the study conducted a correlation analysis between control activities and management of public funds in Marsabit County, Kenya. The findings indicated that r=0.712 and p=0.000. This shows that there is a strong positive and significant relationship between control activities and management of public funds in Marsabit County, Kenya. The findings implied that control activities enhance management of public funds in Marsabit County, Kenya. Kinyua, (2016) found that control activities have a positive and significant effect on the management of funds. This position is similar to that of Tunji's (2019) findings which showed that control activities including policies, procedures and rules have a major influence on how an entity's finances are managed.

The study further sought to establish the nature of the relationship between internal audit and management of public funds in Marsabit County, Kenya. The findings indicated that r=0.828 and p=0.000. The p value was less than the significant level of 0.00 meaning that there is positive statistically significant relationship between internal audit and management of public funds in Marsabit County, Kenya. This implies that internal audit has a significant statistical effect on management of public funds in Marsabit County, Kenya. The study findings concur with those of Endaya and Hanefah (2016) who argued that regular auditing provides a systematic and objective assessment of the financial management of public funds. The auditor examines the financial records, transactions, and other relevant documentation to verify their accuracy and ensure they are in compliance with relevant laws, regulations, and policies. The research additionally pursued to prove the nature of the relationship between risk assessment on financial performance of the management of public funds in Marsabit County, Kenya. The findings indicated that r=0.800 and p=0.000. The p value was less than the significant level of 0.000 meaning that there was statistically significant relationship between risk assessment and the management of public funds in Marsabit County, Kenya.

This implies that risk assessment affects the management of public funds in Marsabit County, Kenya. The study findings agree with the findings of Kargi, (2016) who found that risk assessment has a significant and positive impact on funds management. Risk identification and monitoring processes have a direct impact on financial management. The findings also concur with Okello, (2019) that financial institutions have multiple risks and risk registers must be created and updated often to enable sifting of risks that have a significant impact on the achievement of their objectives. Moreover, findings are in congruence with those of Khan and Ahmed, (2021) which revealed that efficient risk management has a major influence on the survival and success of financial institutions.

4.8 Test of Hypotheses

Multivariate linear regression analysis was performed using the obtained field data to estimate the statistical models that had been earlier proposed to determine the relationship between internal controls and management of public funds in Marsabit County, Kenya. The study had four regression models that were applied in testing four hypotheses. The first regression model examined whether control environment have a statistically significant relation with the management of public funds in Marsabit County, Kenya. The second regression model examined whether control activities have a statistically significant relation with the management of public funds in Marsabit County, Kenya. The third regression model examined whether internal audit have a statistically significant relation with the management of public funds in Marsabit County, Kenya. The fourth regression model examined whether risk assessment have a statistically significant relation with the management of public funds in Marsabit County, Kenya

4.8.1 Regression Model Summary

The researcher used the value of adjusted R Squared to find out the strength of the relationship between independent and dependent variables. The researcher preferred using the value of Adjusted R-squared other than R Squared since it gives the percentage of variation explained by only those independent variables that, in reality, affect the dependent variable. The findings are shown in Table 17

Table 17: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867[a]	.752	.730	.36261

a. Predictors: (Constant), Control Environment, Control Activities, Internal Audit and Risk Assessment

b. Dependent Variable: Management of Public Funds in Marsabit County, Kenya.

The regression analysis model revealed a 0.752 R-squared value which predicts the study variables' line of fit according to the collected data. In other words, R-squared gives an estimated amount of the dependent variable's variation which can be explained by combined interactions among the independent variables. The obtained R-squared value implies that internal controls and the management of public funds in Marsabit County, Kenya have a positively, and linearly associated. In the case of the multivariate analysis, adjusted R-Squared will be used as it provides a more precise view of the correlation by taking into consideration all the independent variables in the model. The value essentially represents the coefficient of multiple determinations. An adjusted R-squared score of 0.730 means that the estimated linear model with four aspects of internal controls accounts for 73.0% variation in management of public funds in Marsabit County, Kenya.

4.8.2 ANOVA of the Regression Model

Table 18: ANOVA of the Regression Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.930	4	4.483	34.092	.000[b]
	Residual	5.917	45	.131		
	Total	23.847	49			

a. Predictors: (Constant), Control Environment, Control Activities, Internal Audit and Risk Assessment

b. Dependent Variable: Management of Public Funds in Marsabit County, Kenya.

The Analysis of Variance (ANOVA) output showed F value of 34.092 and the p-values of 0.000. The usual rule is to reject the null hypothesis when the computed F value is greater than the critical F statistic. In this case, the obtained p-value is less than the p-value of 0.05. The null hypothesis is thus rejected which led to a verdict that the model is statistically

significant. It was further adjudicated that the output of multiple regressions could be used to infer the first three hypotheses of the study.

Table 19: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1(Constant)	.627	.490		1.280	.207
Control Environment	.016	.146	.016	.112	.011
Control Activities	.231	.166	.220	1.390	.017
Internal Audit	.612	.207	.423	2.956	.005
Risk assessment	.279	.131	.294	2.128	.039

Dependent Variable: Management of public funds in Marsabit County, Kenya.

The empirical model, control environment, control activities, internal audit and risk assessment were regressed on Management of public funds in Marsabit County, Kenya and the multiple regression model summarized as;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……

Where:

Y= is the Management of Public Funds

$\beta 0$ = is the Constant Term

$\beta 1$, $\beta 2$ $\beta 3$ and $\beta 4$ are Beta coefficients

X_1 is the Control Environment

X_2 is the Control Activities

X_3 is the Internal Audit

X_4 is the Risk Assessment

e = Error Term

The regression equation thus obtained from this output is: -

$Y = 0.627 + 0.016X_1 + 0.231X_2 + 0.612X_3 + 0.279X_4 + \varepsilon$

The multivariate regression model revealed the strength of the relationship between the study's independent and dependent variables. This implies that holding all factors constant, the management of public funds would stand at 0.627 or 62.7%.

4.8.3 Relationship Between Control Environment and Management of Public Funds

The first objective sought to examine the relationship between control environment and management of public funds in Marsabit County, Kenya. The first null hypothesis ($H0_1$) was that Control environment does not have statistically significant relation with the management

of public funds in Marsabit County, Kenya. Table 19 shows that the Beta value of control environment was 0.016. This indicates a positive and direct relationship between control environment and management of public funds in Marsabit County, Kenya. Since the $P < 0.05$ level of significance, the null hypothesis was rejected which implied that control environment has a statistically positive significant relation with the management of public funds in Marsabit County, Kenya.

The study findings are in agreement with those of those of Nganga (2019) which found out that a strong control environment, characterized by ethical values, competent personnel, and a commitment to integrity, promotes accurate and reliable financial reporting, which ultimately enhances the management of funds. The findings also agree with a study by Archel (2017) who argue that that sound control environment positively influences the management of funds leading to improved financial performance. He highlighted the importance of establishing a control environment that fosters a culture of accountability, transparency, and adherence to financial policies and procedures.

4.8.4 Relationship Between Control Activities and Management of Public Funds

The second objective sought to investigate the relationship between control activities and management of public funds in Marsabit County, Kenya. The second null hypothesis (H02) was that control activities do not have statistically significant relation with the management of public funds in Marsabit County, Kenya. Table 19 shows that the Beta value of Control activities was 0.231. This indicates a positive and direct relationship between control activities and management of public funds in Marsabit County, Kenya. The level of significance for control environment was 0.017. Where $P < 0.05$ therefore in this case, the null hypothesis was rejected which means that control activities and management of public funds in Marsabit County, Kenya are significantly related. It follows that, control activities were observed to have a significant positive influence on management of public funds in Marsabit County, Kenya. The findings agree with Abebe (2012) who assert that robust control activities, such as segregation of duties, authorization procedures, and regular monitoring, significantly contribute to the management of funds. These control activities help prevent fraud, errors, and misappropriation of funds, ensuring the proper allocation and utilization of resources. Control activities are instrumental in the management of funds within organizations. Studies have consistently shown that robust control activities contribute to effective financial management by preventing fraud, mitigating risks, and ensuring compliance. Organizations, both in the private and public sectors, should prioritize the

implementation of control activities as an integral part of their financial management processes to enhance the management of funds and ensure financial integrity.

4.8.5 Internal Audit and Management of Public Funds

The third objective sought to evaluate the relationship between internal audit and management of public funds in Marsabit County, Kenya. The third null hypothesis ($H0_3$) indicated that internal audit does not have a statistically significant relation with the management of public funds in Marsabit County, Kenya. Table 19 shows that the Beta value of internal audit was 0.612. Since the $P < 0.05$ level of significance, the null hypothesis was rejected and concludes that internal audit has a statistically significant relation with the management of public funds in Marsabit County, Kenya. The findings are in congruence with those of Babatunde and Olaniran (2017) which revealed that internal auditors contribute to the management of funds by conducting regular audits, assessing control effectiveness and recommending improvements to enhance financial accountability and transparency.

4.8.6 Risk Assessment and Management of Public Funds

The fourth objective sought to evaluate the relationship between internal audit and management of public funds in Marsabit County, Kenya. The fourth null hypothesis ($H0_4$) was that risk assessment does not have statistically significant relation with the management of public funds in Marsabit County, Kenya. Table 19 shows that the Beta value of risk assessment was 0.279. Since the significance for internal audit is 0.039 which is < 0.05 level of significance the study rejected the null hypothesis and concluded that risk assessment has a statistically significant relation with the management of public funds in Marsabit County, Kenya. The findings of this study are consistent of those of Muqattash (2017) who argue that audit committee can strengthen the position of internal audit function by increasing the objectivity of auditors. Mihret and Yismaw (2017) also argued that the effectiveness of internal audit function influenced by the organizational setting, internal audit quality, management support and auditee attribute.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a detailed summary of the major findings of the actual study; it then draws conclusions and discusses implications emanating from these findings. Finally, it makes some recommendations and suggestions on areas of further study. The main aim of this study was to determine the the relationship between internal controls and management of public funds in Marsabit County, Kenya.

5.2 Summary of Findings

The researcher sought to summarize the major findings of the study. The summary was categorized in terms of specific objectives.

5.2.1 Control Environment and Management of Public Funds

The study findings revealed that there exists a strong positive and significant relationship between control environment and management of public funds in Marsabit County, Kenya. The study also revealed that strict adherence to the general values of ethics in the County influences management of public funds. Moreover, the study revealed that ethical values are upheld in all management decisions. The study further revealed that the County established control activities to effectively and efficiently manage the public funds. The study also revealed that the county has policies and procedures that help ensure management public funds. The study further revealed that the County has installed financial reporting and accounting system. Moreover, the study revealed that the front desk accountant and financial management staff follows accounting reporting standards. The study further revealed that appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system.

5.2.2 Control Activities and Management of Public Funds

From the findings the study further revealed that there is a strong positive and significant relationship between control activities and management of public funds in Marsabit County, Kenya. Moreover, the study further revealed that proper verification before and after incurring any expenditure is strictly adhered to. The study further revealed that verification and reconciliation of records play a role in financial accountability. The study also revealed that authorization assists in promoting financial accountability. Further the study revealed that segregation of duties has a role in enhancing financial accountability. Moreover,

segregation of duties in the county has resulted to improved management of funds in the accounts department. There is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff. The study also revealed that controls are in place to exclude incurring expenditure in excess allocated funds. The study further revealed that the county has properly designed procedures of handling various financial documents which leads to effective management funds.

5.2.3 Internal Audit and Management of Public Funds

The study revealed that there is a positive and a statistically significant relationship between internal audit and management of public funds in Marsabit County, Kenya. Moreover, the study revealed that internal audit report address weaknesses in the County's internal control system. The study further revealed that internal auditor makes appropriate recommendations for management to improve. Internal auditor performs their duties with a greater degree of autonomy and independence from management. The study also revealed that internal audit staff visits Sub County offices frequently. Further, the study revealed that budget reviews assist in enhancing financial accountability in county.

5.2.4 Risk Assessment and Management of Public Funds

From the findings the study revealed that there was statistically significant relationship between risk assessment and the management of public funds in Marsabit County, Kenya. The study further revealed that risk identification is carried out to improve efficiency in operations. Moreover, the study revealed that assessment of risk ensures compliance with laws and statutory regulations. The county security system identifies and safeguards institutional assets. The study further revealed that measures to mitigate significant risks such as frauds have been put in place. The study further revealed that prevention, control and management of risk affect financial accountability. The study further revealed that sound and acceptable accounting procedures are adhered to in the county to mitigate financial risks. Measures to mitigate significant risks such as frauds have been put in place

5.3 Conclusions

In general, the study concluded that internal controls (control environment, control activities, internal audit and risk assessment) affect the management of public funds in Marsabit County, Kenya.

5.3.1 Control Environment and Management of Public Funds

From the hypotheses findings the study concluded control environment has a statistically positive significant relation with the management of public funds in Marsabit County, Kenya. The study further concluded that the county has installed financial reporting and accounting system. Moreover, the study revealed that the front desk accountant and financial management staff follows accounting reporting standards. The study concluded that appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system. The study concluded that there exists a positive and statistically significant relationship between control environment and management of public funds in Marsabit County, Kenya. The control environment provides a system of checks and balances that help to ensure that public funds are used in accordance with laws, regulations, and policies. It also helps to establish clear lines of authority, accountability, and responsibility, making it easier to detect and prevent fraud or mismanagement.

5.3.2 Control Activities and Management of Public Funds

From the hypotheses findings the study concluded control activities has a statistically positive significant relation with the management of public funds in Marsabit County, Kenya. The study further concluded that, segregation of duties in the county has resulted to improved management of funds in the accounts department. The study concluded that there is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff. The study also concluded that controls are in place to exclude incurring expenditure in excess allocated funds. The study further revealed that the county has properly designed procedures of handling various financial documents which leads to effective management funds. The study also concluded that there is a positive and statistically significant relationship between control activities and management of public funds in Marsabit County, Kenya.

5.3.3 Internal Audit and Management of Public Funds

From the hypotheses findings the study concluded internal audit has a statistically positive significant relation with the management of public funds in Marsabit County, Kenya. The study concluded that internal auditor makes appropriate recommendations for management to improve. Internal auditor performs their duties with a greater degree of autonomy and independence from management. The study further concluded that internal audit staff visits Sub County offices frequently. Further, the study concluded that budget reviews assist in enhancing financial accountability in county. The study further concluded that there is

positive statistically significant relationship between internal audit and management of public funds in Marsabit County, Kenya. This implies that internal audit has a significant statistical effect on management of public funds in Marsabit County, Kenya. This includes reviewing financial statements, assessing the effectiveness of internal controls, and making recommendations for improvement. The internal audit function also helps to identify any potential weaknesses in the management of public funds, such as fraud or mismanagement, and makes recommendations for how to address these issues.

5.3.4 Risk Assessment and Management of Public Funds

From the hypotheses findings the study concluded risk assessment has a statistically positive significant relation with the management of public funds in Marsabit County, Kenya. The study further concluded that measures to mitigate significant risks such as frauds have been put in place. The study further revealed that prevention, control and management of risk affect financial accountability. The study further concluded that sound and acceptable accounting procedures are adhered to in the county to mitigate financial risks. Measures to mitigate significant risks such as frauds have been put in place. The study further concluded that there is a statistically significant relationship between risk assessment and the management of public funds in Marsabit County, Kenya. This implies that risk assessment affect the management of public funds in Marsabit County, Kenya. The risk assessment process helps to ensure that public funds are used in an effective and efficient manner, while also promoting accountability and responsibility.

5.3.5 Management of Public Funds in Marsabit County

The study concluded that the county has been able to effectively account for the funds it receives for the past two financial years. Also, the study concluded that the county has improved in its annual financial reporting. In addition, the study concluded that the county's annual financial reports are in consistency with those of the auditor general. Additionally, the study concluded that the county periodically prepares income and expenditure statements. Further, the study concluded that the staff of the county submits reports for business advances in a timely manner. Nevertheless, the study concluded that the county produces cash flow statements regularly which indicates projected cash inflows and outflows.

5.4 Recommendations

Based on the study findings and conclusion, the following recommendations were made:

First County governments should implement robust systems and processes that promote checks and balances in financial transactions. There should also be proper segregation of duties, whereby different individuals are responsible for authorization, recording, and custody of assets, should be enforced. Authorization and approval processes should be clearly defined and adhered to, ensuring that financial transactions are properly scrutinized.

Secondly county governments should establish effective controls over revenue collection processes to minimize the risk of revenue leakage or misappropriation. This includes implementing secure cash handling procedures, utilizing digital payment systems, conducting regular reconciliations of collected revenue, and ensuring proper documentation and accountability.

Third County governments should establish internal audit functions to conduct periodic assessments of their financial management practices. These internal audits should evaluate internal controls, identify potential risks, and provide recommendations for improvement.

Finally, the study recommends that the county governments should develop a robust risk management framework that identifies, assesses, and manages financial risks. This includes conducting risk assessments, implementing control measures to mitigate identified risks, and regularly monitoring and reviewing risk management activities

5.5 Suggestion for Further Studies

Since the study focused on the internal controls such as control activities, control environment, internal audit and risk management on the management of public finance, the researcher recommended that other studies should be conducted focusing on the segregation of duties on the management of public funds. Adoption of ICT on the management of public funds and monitoring and evaluation on the management of public funds. The researcher also suggested that since the study focused on Marsabit County alone, there is the need to conduct a similar study in other counties for comparison of the study findings.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

C/O ST. Paul's University,

Private Bag

P.O Box 00217,

Limuru,

Kenya.

TO WHOM IT MAY CONCERN

Dear Respondent,

REF: MBA RESEARCH STUDY

I am a postgraduate student at St. Paul's University undertaking a master's degree in Business Administration (Finance Option) in partial fulfillment of the requirement to the award of the master's degree. I am carrying out research on **Relationship between internal controls and management of public funds in Marsabit County, Kenya**. Due to the nature of your work, I kindly request you to participate in helping me undertake the research.

To enhance this research work, I would like to collect data using questionnaires in your department. Therefore, this letter requests for your support in filling the questionnaires. The study will in no way expose or disclose the information and the internal procedures and practices but will only disclose statistics.

Your support and participation in this activity will be greatly appreciated.

Thank you in advance.

Haro Ture

APPENDIX II: RESEARCH QUESTIONNAIRE

Dear respondent,

I am an MBA student at ST. Paul's University. I am required to submit a research dissertation as a requirement for partial fulfillment of a degree of master of business administration in the faculty of business studies. My research work is on "**RELATIONSHIP BETWEEN INTERNAL CONTROLS AND MANAGEMENT OF PUBLIC FUNDS IN MARSABIT COUNTY, KENYA"** I please request your assistance in filling in the questionnaires provided. I also wish to assure you that the information given will be treated with utmost confidentiality and will be used for the sole purpose of this study.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender:
   Male [ ]
   Female [ ]
2. Your age bracket (Tick whichever appropriate)
   20 – 30 Years [ ]
   31 - 40 Years [ ]
   41 - 50 years [ ]
   51 & Above [ ]
3. What is your highest level of education?

Certificate	[ ]	Masters	[ ]
Diploma	[ ]	PhD	[ ]
Bachelors	[ ]		

4. For how long have you served in your current school?

Less than 1 year	[ ]	6 – 10 years	[ ]
1 – 5 years	[ ]	11 years and more	[ ]

SECTION B: Control Environment and Management of Public Funds

In a scale of 5 points where: **1 = Strongly Disagree, 2 = Disagree, 3 = undecided, 4 = Agree and 5 = Strongly Agree.** Kindly indicate your level of agreement with the statements on the effect of control environment on the management of public funds in Marsabit County, Kenya.

Control Environment	**5**	**4**	**3**	**2**	**1**
Integrity and ethical values have contributed to the accountability of the County employees					
Strict adherence to the general values of ethics in the County influences management of public funds					
Ethical values are upheld in all management decisions					
The County established control activities to effectively and efficiently manage the public funds					
The county has policies and procedures that help ensure management public funds.					
The County has installed financial reporting and accounting system.					
The front desk accountant and financial management staff follows accounting reporting standards					
Appropriate measures are taken to correct mistakes in operation of financial reporting and accounting system.					

SECTION C: Control Activities and Management of Public Funds

In a scale of 5 points where: **1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree.** Kindly indicate your level of agreement with the statements on the effect of control activities on the management of public funds in Marsabit County, Kenya.

Control Activities	**5**	**4**	**3**	**2**	**1**
The County enforce clear authorization and approval procedures					
Proper verification before and after incurring any expenditure is strictly adhered to.					
Verification and reconciliation of records play a role in financial accountability					
Authorization assists in promoting financial accountability.					
Segregation of duties has a role in enhancing financial accountability					
Segregation of duties in the county has resulted to improved management of funds in the accounts department.					
There is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff					
Controls are in place to exclude incurring expenditure in excess allocated funds					
The county has properly designed procedures of handling various financial documents which leads to effective management funds					

SECTION D: Internal Audit and Management of Public Funds

In a scale of 5 points where: **1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree.** Kindly indicate your level of agreement with the statements on the effect of control activities on the management of public funds in Marsabit County, Kenya.

Internal Audit	**5**	**4**	**3**	**2**	**1**
The County internal audit staff conduct regular audit activities which ensures effective management of funds					
Internal audit report address weaknesses in the County's internal control system					
Internal auditor makes appropriate recommendations for management to improve					
Internal auditor performs their duties with a greater degree of autonomy and independence from management					
Internal audit staff visits Sub County offices frequently					
Budget reviews assist in enhancing financial accountability in county					

SECTION E: Risk Assessment and Management of Public Funds

In a scale of 5 points where: **1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree.** Kindly indicate your level of agreement with the statements on the effect of risk assessment on the management of public funds in Marsabit County, Kenya.

Risk Assessment	**5**	**4**	**3**	**2**	**1**
Risks are identified to help protect assets and reduce the possibility of fraud					
Risk identification is carried out to improve efficiency in operations					
Assessment of risk ensures compliance with laws and statutory regulations					
The county security system identifies and safeguards institutional Assets					
Measures to mitigate significant risks such as frauds have been put in place					
Prevention, control and management of risk affect financial accountability					
Sound and acceptable accounting procedures are adhered to in the county to mitigate financial risks					
Measures to mitigate significant risks such as frauds have been put in place					

SECTION F: Management of Public Funds

In a scale of 5 points where: **1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree.** Kindly indicate your level of agreement with the statements on the management of public funds in Marsabit County, Kenya.

Management of Public Funds	**5**	**4**	**3**	**2**	**1**
The county has been able to effectively account for the funds it receives for the past two financial years					
The county has improved in its annual financial reporting					
The county's annual financial reports are in consistency with those of the auditor general.					
The county periodically prepares income and expenditure statements					
The staff of the county submits reports for business advances in a timely manner.					
The county produces cash flow statements regularly which indicates projected cash inflows and outflows					

APPENDIX III: NACOSTI RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 803866

Date of Issue: 24/May/2023

RESEARCH LICENSE



This is to Certify that Ms.. HARO ASILI TURE of St. Paul's University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Marsabit on the topic: EFFECT OF INTERNAL CONTROLS ON THE MANAGEMENT OF PUBLIC FUNDS IN MARSABIT COUNTY, KENYA for the period ending : 24/May/2024.

License No: NACOSTI/P/23/26050

803866

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

APPENDIX IV: RESEARCH AUTHORIZATION



Republic of Kenya

COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, Marsabit

DEPATMENT OF ADMINISTRATION AND PUBLIC SERVICE:

27th May 2023

OUR REF: 01/2023

YOUR REF:803866

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION BY HARO ASILI TURE LICENSE NO NACOSTI/P/23/26050

Reference: is made to your letter dated 24TH May 2023 NACOSTI/P/23/26050.

Authority is hereby granted to the above-named person to carry out research in Marsabit County, Kenya, on

EFFECTS OF INTERNAL CONTROLS ON THE MANAGEMENT OF PUBLIC FUNDS IN MARSABIT COUNTY, KENYA, for the period ending 24th May 2024.

Kindly accord her the necessary support for her to conduct the said research.

COUNTY CHIEF OFFICER
PARTNER COORDINATION DISASTER MANAGEMENT & COHESION, COUNTY GOVERNMENT OF MARSABIT
27 MAY 2023
P.O. BOX 384-60500
MARSABIT

Your Sincerely

Tache Elema Duba

County Chief Officer for Partner Coordination.

County Government of Marsabit.

APPENDIX V: RESEARCH APPROVAL



Republic of Kenya

COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, Marsabit

DEPATMENT OF ADMINISTRATION AND PUBLIC SERVICE:

27th May 2023

OUR REF: 01/2023

YOUR REF:803866

TO WHOM IT MAY CONCERN

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COUNTY CHIEF OFFICER
PARTNER COORDINATION DISASTER MANAGEMENT & COHESION, COUNTY GOVERNMENT OF MARSABIT
27 MAY 2023
P.O. BOX 384-60500 MARSABIT

Your Sincerely

Tache Elema Duba

County Chief Officer for Partner Coordination.

County Government of Marsabit.