Journal of Finance and Accounting

Assessment of County Internal Control System on Financial Accountability in Tana River County, Kenya

Osman Hajj Bosharo & Dr. Isaac Abuga

ISSN: 2616-4965

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

Assessment of County Internal Control System on Financial Accountability in Tana River County, Kenya

[1*]Osman Hajj Bosharo & [2]Dr. Isaac Abuga

[1]Postgraduate student, Mount Kenya University

[2]Lecturer, Mount Kenya University

***Email of the corresponding author:** bosharo2013@gmail.com

***How to cite this article*: Bosharo, O., H., & Abuga, I. (2021). Assessment of County Internal Control System on Financial Accountability in Tana River County, Kenya. *Journal of Finance and Accounting,* 5 (3), 111-132.** https://doi.org/10.53819/810181025024

Abstract

The public management of funds in Tana River County has been ineffectual and the report of the auditor general has reported massive squandering of the public resources. The poor financial accountability formed the rationale of conducting the study to assess how the county's internal control system influences financial accountability in Tana River County. The study was based on four theories, namely agency cost theory, classical management theory, stewardship theory and information systems success theory. The study employed a mixed methodology and specifically a convergent parallel mixed-methods perspective. The study adopted the descriptive research design. The targeted population for the study was 324 employees in Tana River County. A stratified sampling technique was used to get the sample size of 200 respondents. The data collection instruments comprised of questionnaires and interview guides. The results of the study indicated that monitoring systems, information and communication systems, risk management systems and internal audits explain 67.4% of the variations in financial accountability. The regression results showed that risk management system is positively and significantly related to financial accountability (β=.287 p=0.000). Moreover, it was found that internal audits and financial accountability are positively and significantly related (β=.406 p=0.000). Likewise, the study found that information and communication systems and financial accountability is positively and significantly related (β=.25 p=0.000). The study also found a positive and significant relationship between monitoring and financial accountability in Tana River County. (β=.144 p=0.000). Moreover, it was revealed there is a moderating effect of government policy and regulations on the relationship between internal control systems and financial accountability in Tana River County since the coefficient of determination (R squared) increased to 73.9%. The study recommended that counties need to develop a risk management system to spur efficiency and transparency. There should be an effective management system that could evaluate risks in advance to enables counties to maintain those risks within controlled levels. The internal auditor need to be monitored regularly to minimize the chances of presenting reports with mistakes and exaggerations. There is the need to have internal reviews of revenue targets during the financial year. Moreover, it is recommended stringent measures should be taken against the county employees found with corruption cases.

Keywords: *Risk management system, internal audit, information and communication systems, monitoring systems, government policy and regulations, financial accountability, Tana River County, Kenya*

1.0 Introduction

Financial accountability is one of the critical factors that promote the performance of an organization, whether big or small (Muhunyo, 2018). Taking care of money on behalf of others requires high accountability; otherwise, embezzlement of that money will be extreme. The people provided with the obligation to handle money need to be monitored regularly (Modibbo, 2015). They must be protected from being lured into using the funds for their functions or benefits. Transparency and regular reporting of what of the activities are potent in ensuring the goal of financial accountability (Gitau, 2018). The internal control systems are vital factors for promoting financial responsibility within the institutions (Muhunyo, 2018). The importance of financial accountability is that it ensures funds are well maintained and protected from embezzlement and fraud from corrupt individuals (Osioru, Rotich & Anyango, 2017). In public institutions, monitoring of the financial resources is concerned about ensuring that there is the accessibility of funds needed whenever it is required and also the finances are acquired and used efficiently so that the people can benefit from the service delivery (Gitau, 2018). The elected leaders should ensure the budget is checked to minimize embezzlement and fraud (Muhammed, 2014). The accountability in the management of the public resources to most counties has been ineffective. There have been cases of overpricing of goods and services within the counties for self-interests (Osioru, Rotich & Anyango, 2017). According to Cheruiyot, Namusonge and Sakwa (2018), Muhammed (2014), Mary, Albert and Byaruhanga (2014) and Agbenyo, Jiang and Cobblah (2018), financial accountability can be fostered by establishing effective internal control systems.

The effective internal control systems minimize wastage and allocation of resources to projects which are not beneficial to society (Mustika, 2015). Interior controls describe the steps taken by an establishment to guarantee the accomplishment of the organization's objectives (Gitau, 2018). They are frameworks of plans or techniques that are depended upon by the organization to accomplish its mission and become sustainable (Modibbo, 2015). Powerful inward control frameworks help to minimize costs and maximize the returns (Dorcas, 2014). The internal control systems provide procedures to the institution that need to implement to guide in the usage of the resources to increases efficiency and adherence to rules (Njeri, 2014). Internal control systems remain vital in safeguarding organization resources and county governments are implementing the methods to minimize the leakages (Nwaobia, Ogundajo & Theogene, 2016). The inner control systems promote adherence to the specified legislations, laws, contracts and management instructions (Musya, 2014). According to Kenya and Muthusi (2017), Cheruiyot, et.al. (2018), Baharud-din, Shokiyah and Ibrahim (2014), Njeri (2014) and Muhammed (2014) the internal control systems comprise of the risk management system, information and communication system, internal audit and monitoring.

The management in any of the institutions must be in a position to identify any risks and prevent it before becoming uncontrollable or to maintain those risks with determined levels (Gitau, 2018). Risk Management System describes the recognition as well as analysis of pertinent risks connected with attaining the objectives of the organization (Mustika, 2015). It ends up being the duty of the monitoring to create interior controls to make sure efficiency and performance. Also, Information and communication systems describe the systems in the region to recognize, develop, process as well as report pertinent and also reputable details on time to ensure that people can execute their duties successfully (Njeri, 2014). An internal audit involves regular auditing that ensures that funds in the organization are well used without fraud and embezzlement and it significantly increases

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

the overall confidence to the stakeholders since they know any money invested will earn interest (Cheruiyot, et. al. 2018).

Globally, Dodaro (2020) illustrated that financial accountability within congress in USA has been increasing due to reliable internal control systems such as auditing and evaluation undertaken by the Government Accountability Office. Under Government Accountability Office's supervision, the internal control systems have enhanced transparency and accountability over the federal government's operations, financial condition and fiscal outlook. In Canada, Lindquist and Huse (2017) indicated that financial accountability of the government institutions had been positively influenced by internal control systems adopted, such as embracing modern technology in government institutions, regular auditing and transferring employees from one department to another. Risk management enables the authorities to intend well, understand the desired outcomes and also prepare responses to take care of any unpredictability and harmonize risk governance demands used for threat disclosure improvement in South Africa (Moloi, 2016). Essential audit feature improved transparency and accountability to public finance monitoring in Rwanda as well as Nigeria (Nwaobia, et.al, 2016). The self-reliance of the internal audit boosted transparency as well as accountability at the city governments, particularly in Adamawa State, Nigeria (Modibbo, 2015). Effective surveillance as an element of the inner control system damages high-quality monetary coverage in the Ghana Income Authority (Agbenyo, Jiang & Cobblah, 2018).

In the Kenyan perspective, adequate internal control improves the counties in meeting its revenue target level and eventually guaranteeing optimal service delivery (Cheruiyot, et. al. 2018). Audit committees that have a have a high degree of self-reliance and also monetary skills execute their functions and mandate effectively in the financial industries in Kenya (Osioru, et.al.2017). The internal control system affects monetary efficiency and makes up more than 40% of the variation in the performance (Mary, et.al 2014). The public funds' management (financial accountability) among the county governments in Kenya has been ineffective. Auditor General reports released in 2019 revealed rampant misuse of public resources within the counties (Gaitho, 2020). For instance, in Baringo County, the Auditor general showed a contract to Supply kitchen equipment was awarded to two different companies at Kshs 309,000 and Kshs 348,075, respectively (Auditor general, 2019). In Kiambu County, the report revealed that the County Assembly organized three workshops that Cost Kshs 35million without supporting documents to justify the expenditure (Auditor General, 2019).

In Tana River County, the county failed to explain the missing of Sh596 million in the 2017/18 financial year (Auditor general report, 2019). Also, the administration in the county spent Sh360 million to pay for unexplained services and further spent Sh3.4 million to fuel privately-owned vehicles and those belonging to national government departments and no proper explanation was provided for supplying of fuel to vehicles that do not belong to the county executives (Auditor general report, 2019). Cheruiyot et.al. (2018) found that all counties, including Tana River County, has rampant cases of funds embezzlements and they have weak internal control systems. This formed the rationale of conducting the current study to examine how the county's internal control system influences financial accountability in Tana River County.

1.1 Statement of the problem

The public management of funds in Tana River County has been ineffectual and the report of the auditor general has reported massive squandering of the public resources. For instance, the county

https://doi.org/10.53819/810181025024

failed to explain the missing of Sh596 million in the 2017/18 financial year (Auditor general report, 2019). Also, the administration in the county spent Sh360 million to pay for unexplained services and further spent Sh3.4 million to fuel privately-owned vehicles and those belonging to national government departments and no proper explanation was provided for supplying of fuel to vehicles that do not belong to the county executives (Auditor general report, 2019). The poor public management of funds may have been as a result of the inefficient county internal control system thus forms the basis of the current investigation. However, there is scanty information on the effect of the county's internal control system on public funds management in the Tana River County. For instance, Cheruiyot, e.t.al (2018) established that internal control systems have an impact on the performance within the counties; however, the performance is highly influenced by the leadership skills of the executives. Likewise, Osioru et al. (2017) found that auditing effectiveness and monitoring of public finances in Kenya were positively related to business management. It is evidenced none of the examinations looked upon to examine the influence of county internal control system on financial accountability in Tana River County in Kenya, thus formed the basis to conduct the current study to bridge the existing knowledge gap.

1.2 Research Objectives

i. To assess the influence of risk management system on financial accountability in Tana River County.
ii. To establish the influence of internal audit on financial accountability in Tana River County.
iii. To analyze the influence of information and communication systems on financial accountability in Tana River County.
iv. To examine the influence of monitoring systems on financial accountability in Tana River County.
v. To assess the moderating influence of government policy and regulations on the relationship between internal control systems and financial accountability in Tana River County.

2.0 Literature Review

2.1 Empirical literature review

A study conducted by Muhunyo (2018) sought to examine the effects of evaluating risk, risk investigation, control condition, collaboration on financial performance. The research embraced a descriptive research style and a sample of 96 employees. The study outcomes showed that risk evaluation, risk investigation, control activities and collaboration had a positive effect on financial performance. Another study by Mwazo et al. (2017) examined the importance of internal control systems on service delivery. The investigation utilized the descriptive examination style and the focus on population was 225 representatives. The exploration results indicated that internal control systems are fundamental in enhancing the service delivery within the county. Moloi (2016) sought to examine how monitoring of the risks enhances the performance in the case of local government in South Africa. The discoveries of the exploration showed that monitoring of the hazards in the government includes the evaluation of risks and recording of risks. Continuous examination of the possible risks that might affect the business is core in enhancing the overall performance.

A study by Ahmad et al. (2016) sought to determine the effect of risk mitigation, evaluation of risks and recording of risks on the performance of the public colleges in Malaysia. The objective population of the examination was 20 schools. Based upon the data collected from an overall of

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

20 public colleges, this research discovered that a lot of them do have a formal risk monitoring framework in place and several of them have assigned a specific individual in dealing with the ERM tasks of the colleges. The study proposed that monitoring of the risks should entail risk mitigation, evaluation of risks and recording of risks. Modibbo (2015) assessed the productivity of the interior review framework at local governments in Adamawa State, Nigeria. The information was collected through sets of questions administered to a sample of 10 local governments. The examination uncovered that independence of auditors, separation of duties and responsibilities are potent in increasing the performance of the local governments in the Country. The investigation recommended that the inward review unit be set up as a different division in all the county authorities of the state and much to do with the independence of auditors, separation of duties and responsibilities need to be enhanced.

Gitau (2018) carried an examination to look at the outcome of information and communication systems on the performance of supermarket store chains in Nairobi. The study utilized a descriptive design and 54 supermarkets were used as the population. The examination uncovered more than 50 % of the modification in the economic effects of supermarkets in Nairobi were as a result of reliable communication Channels, cooperation frameworks, acquisition control strategy and individual checks rehearse. The study wrapped up that information and communication systems are critical in promoting performance. Musya (2014) explored the impact of the internal control frameworks on financial accountability within the county governments in Kenya. The investigation outcomes uncovered that control setting, uncertainties appraisal, evaluations and correspondence and surveillance are potent in enhancing financial accountability.

2.2 Conceptual Framework

Figure 1 below presented the conceptual framework.

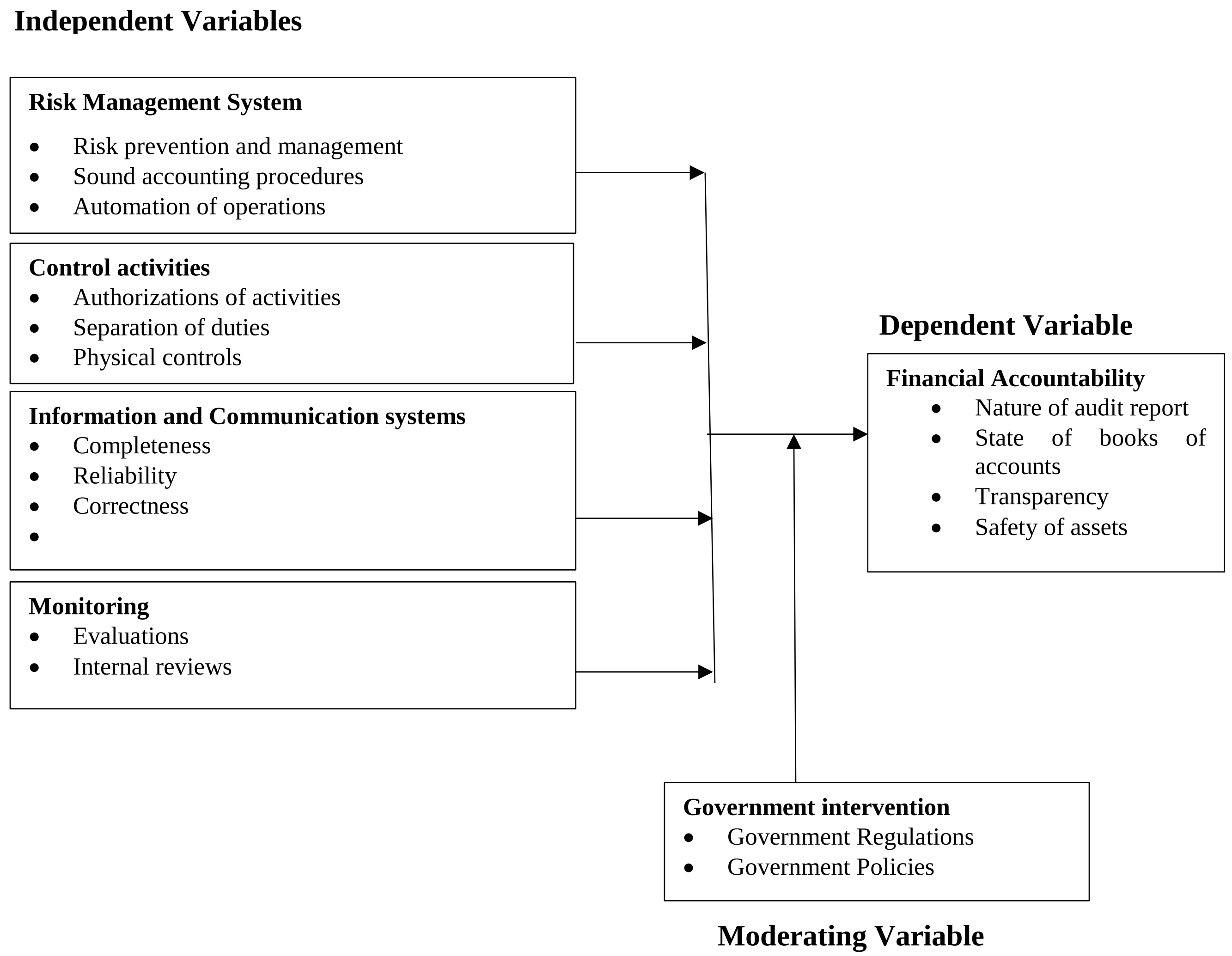

Figure 1: Conceptual framework

3.0 Research Methodology

The study employed a mixed methodology and specifically a convergent parallel mixed-methods perspective. Convergent parallel mixed methods design was preferred to the other mixed methods designs for its suitability and strengths in collecting, analyzing and integrating quantitative and qualitative research simultaneously in a single study. The study used descriptive research design. The target population was 324. The target population comprised of the employees working in the county who included the chief officers, directors, chief auditor, internal auditors and supports staffs in the finance and audit departments. The sample size was 200. Questionnaires and interview guides were used to collect the data.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

4.0 Research Findings and Discussion

4.1 Response Rate

The number of questionnaires that were administered to the respondents in the departments within the county was 169. Out of the 169 questionnaires administered, 157 were duly filled and returned. Moreover, the study interviewed chief officers, directors, chief auditors and internal auditors. The chief officers interviewed were 8, directors 7, Chief internal Auditor 1 and 11 internal auditors. According to Mugenda and Mugenda (2008) and Kothari (2004), a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that responses above 50% are acceptable to analyze and publish, 60% are good and 70% and above are very good. Based on these assertions from renowned scholars, the general response rate of 92% was above 70% hence very good for the study for the analysis and making of the inferences.

4.2 Descriptive Statistics

This section presents the descriptive statistics of risk management systems, internal audits, information and communication systems, monitoring, government policies and regulations and financial accountability in Tana River County.

4.2.1 Risk Management Systems

The first objective of the study was to examine the influence of risk management systems on financial accountability in Tana River County. The descriptive statistics of risk management systems is presented in Table 1

Table 1: Risk Management Systems Descriptive Statistics

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The management in the county has developed a risk mitigation strategy to spur efficiency and transparency	4.50%	12.70%	15.30%	31.80%	35.70%	3.82	1.18
There is a high evaluation of risks in the county to maintain those risks within controlled levels	1.30%	8.30%	8.90%	51.60%	29.90%	4.01	0.92
There is effective decision making in the county in matters to do with finance management	3.80%	10.20%	17.20%	33.80%	35.00%	3.86	1.12
There is the recording of risks connected with attaining the objectives of the county.	4.50%	6.40%	10.80%	34.40%	43.90%	4.07	1.10
The management identifies any risks and prevents it before becoming uncontrollable.	3.20%	9.60%	12.10%	42.70%	32.50%	3.92	1.06
Average						**3.94**	**1.08**

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

The field results (descriptive statistics) depicted in Table 1 indicate that 67.50% (31.80%+ 35.70%) of the respondents disagreed the management in the county has developed a risk mitigation strategy to spur efficiency and transparency, while 17.20% (4.50%+12.70%) agreed with the statement and 15.3% remained neutral. This implied that the majority of the respondents disagreed that the management at the county had set up measures to mitigate risk and make financial operations more efficient and transparent, as supported by the mean score of 3.82 with a standard deviation of 1.18. It was found that 81.50% of the respondents disagreed there is a high evaluation of risks in the county to maintain those risks within controlled levels, while 9.60% agreed with the statement and 8.90% remained neutral. The mean score of the survey question was 4.01 with a standard deviation of 0.92 and this signified that the majority of the respondents disagreed that there is a high evaluation of risks in the county to maintain those risks within controlled levels.

The study found that 68.80% of the respondents disagreed there is effective decision making in the county in matters to do with finance management and 14% agreed with the survey question, while 17.20% remained neutral. This showed that the majority of the respondents disagreed that there is effective decision making in the county in matters to do with finance management, as supported by the mean score of 3.86 with a standard deviation of 1.12. The study found that 78.30% of the respondents disagreed there is the recording of risks connected with attaining the objectives of the county, while 10.90% agreed with the statement with 10.80% remaining to be neutral. The mean score was 4.07, with a standard deviation of 1.10. It was found that 75.20% of the respondents disagreed the management identifies any risks and prevents it before becoming uncontrollable, while 12.80% agreed with the statement and 12.10% remained neutral. The mean score of the survey question was 3.92, with a standard deviation of 1.06. Finally, the average mean score of the survey questions of risk management systems was 3.94, with a standard deviation of 1.08. This signified that the majority of the respondents disagreed with the majority of the survey questions.

Moreover, from the interview session, it was reported by chief officer 1 that "*there are no mechanisms put in place for mitigation of critical risks that may result from fraud activities*." In addition, director 6 stated, "*the top management officers have not put in place mechanisms for mitigation of critical risks that may result from fraud activities.*" Further, the internal auditor 4 stated, *"insignificant mechanisms exist for mitigation of critical risks that may result from fraud activities"*. In addition, chief officer 7 said, "*there is no mechanisms for mitigation of critical risk".* Further, it was noted by chief officer 5 that, "*the mechanisms for mitigation of critical risks are inadequate*." In addition, internal auditors 10 stated, "*mechanisms for mitigation of critical risks that may result from fraud activities are not properly applied in the county*." Thus, it can be concluded that the top management officers have not put mechanisms for mitigation of critical risks that may result from fraud activities. Moreover, it was reported by chief officer 5 that "*management in the county rarely evaluates and records the risk before implementing important decisions*" In addition, director 3 stated, "*management in the county rarely evaluates and records the risk before implementing important decisions that will affect the entire system* ***in*** *the county*" In addition, director 7 said, "*management in the county do not evaluates and records the risk before implementing its decisions*"

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

4.2.2 Internal Audit

The second objective of the study was to establish the influence of internal audit on financial accountability in Tana River County. The descriptive statistics of internal audit is presented in Table 2

Table 2: Internal Audit Descriptive Statistics

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Interior auditor in the county executes obligations with a greater level of autonomy as well as freedom from the senior monitoring	5.10%	14.60%	12.10%	45.90%	22.30%	3.66	1.13
There is separation of duties and responsibilities in the audit team	5.70%	13.40%	12.10%	27.40%	41.40%	3.85	1.26
Internal auditor in the County makes proper recommendations for monitoring to improve without biasness	4.50%	12.10%	6.40%	42.00%	35.00%	3.91	1.14
The Supervisory activities are effective for guaranteeing staff members recognize their obligations or delegated tasks appropriately	4.50	14.60%	14.00%	29.30%	37.60%	3.81	1.22
The internal auditor is competent and presents reports without mistakes and exaggerations	3.20%	14.00%	9.60%	45.90%	27.40%	3.80	1.09
Average						**3.81**	**1.17**

The descriptive statistics presented in Table 2 indicate 68.20% (45.90%+22.30%) of the respondents disagreed that interior auditor in the County executes obligations with a greater level of autonomy as well as freedom from the senior monitoring, while 19.70% (5.10%+14.60%) agreed with the statement and 12.10% remained neutral. The mean score of the survey question was 3.66 with a standard deviation of 1.131 and this implied that the majority of staff disagreed that the interior auditor in the County executes obligations with a greater level of autonomy as well as freedom from the senior monitoring. The study found that 68.80% of the respondents disagreed there is the separation of duties and responsibilities in the audit team, while 19.10% agreed with the survey question and 12.10% remained neutral. Furthermore, the study found that 77% of the

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

respondents disagreed that internal auditor in the County makes proper recommendations for monitoring to improve without biasness, while 16.60% agreed with the survey question and 6.40% remained neutral. The mean score was 3.91, with a standard deviation of 1.14. It was found that 66.90% of the respondents disagreed with the statement that the supervisory activities are effective for guaranteeing staff members recognize their obligations or delegated tasks appropriately, while 19.10% agreed with the statement and 14% remained neutral. The study found that 73.30% disagreed the internal auditor is competent and presents reports without mistakes and exaggerations and 17.20% agreed with the statement, while 9.60% remained neutral.

The average mean score of the survey question of the contingency allocation was 3.806, with a standard deviation of 1.166. This signified that the majority of the respondents disagreed with the developed survey questions. Moreover, from the interview session, it was reported by chief officer 8 that "*the expenditure is not approved and authorized by the relevant authorities to minimize the embezzlement of fund."* Moreover, internal auditor 3, 4, 6 and 8 noted**,** *"expenditure is rarely approved and authorized by the relevant authorities" Likewise, it was reported by the chief internal auditor that "*the authorization is important to minimize the embezzlement of funds but it is not fully adhered to it" Moreover, it was reported by chief officer 11 that, **"***the expenditure is not regularly approved before by the relevant bodies***."** The results implied that the expenditure in the counties is not regularly approved and authorized by the relevant authorities to minimize the embezzlement of funds and spending.

4.2.3 Information and Communication Systems

The third objective of the study was to examine the influence of information and communication systems on financial accountability in Tana River County. The descriptive statistics of information and communication systems is presented in Table 3

Table 3: Descriptive Statistics on Information and Communication Systems.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The county has created efficient policies and procedures on channels of interaction	3.20%	14.60%	14.60%	36.90%	30.60%	3.77	1.13
The county has developed active communication structures for easy access of information	4.50%	10.80%	11.50%	35.70%	37.60%	3.91	1.15
The county has developed an effective personnel policies and procedures for money monitoring	3.20%	10.80%	17.20%	32.50%	36.30%	3.88	1.12
The county makes use of suggestion boxes for acquiring details that is sensitive and personal	6.40%	14.60%	15.30%	31.80%	31.80%	3.68	1.24
The interactions among auditors in different departments give well developed strategies to non-compliance in financial issues	5.10%	11.50%	10.80%	37.60%	35.00%	3.86	1.17
Average						**3.82**	**1.16**

https://doi.org/10.53819/810181025024

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

Based on the results presented in Table 3, 67.50% (36.90%+30.60%) of the respondents disagreed the county has created efficient policies and procedures on channels of interaction, while 17.80% (3.20%+14.60%) agreed with the statement and 14.60% remained neutral. The mean score of the survey question was 3.77 with a standard deviation of 1.132 and this implied that the majority of the respondents disagreed with the statement that the county has created efficient policies and procedures on channels of interaction. It was found that 73.30% of the respondents disagreed the county has developed active communication structures for easy access of information and 15.30% agreed with the statement, while 11.50% remained neutral. The mean score of the survey question was 3.91, with a standard deviation of 1.151. The study found that 68.8% of the respondents disagreed the county has developed effective personnel policies and procedures for money monitoring and 14% agreed with the statement, while 15.30% remained neutral. It was found that 63.60% of the respondents disagreed the county makes use of suggestion boxes for acquiring details that is sensitive and personal, while 21% agreed with the survey question and 15.30% remained neutral. The mean score of the survey question was 3.68, with a standard deviation of 1.241. The study found that 72.60% of the respondents disagreed the interactions among auditors in different departments give well developed strategies to non-compliance in financial issues, 16.60% agreed with the statement and 10.80% remained neutral. Finally, the average mean score of the survey questions of contingency recovery plans was 3.82, with a standard deviation of 1.16.

4.2.4 Monitoring

The descriptive statistics on monitoring are presented in table 4 below.

Table 4: Descriptive Statistics on Monitoring

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
There are regular and periodic evaluations of the funds before the end of financial year report.	4.50%	15.30%	18.50%	35.00%	26.80%	3.64	1.16
The internal assessment of books of accounts are effective and are not influenced by the senior management	2.50%	8.30%	18.50%	40.10%	30.60%	3.88	1.02
In our county, the approvals and authorization of any county expenditures is adequate	5.10%	14.60%	21.00%	34.40%	24.80%	3.59	1.16
There is effective internal reviews of revenue targets during the financial year	3.80%	14.00%	13.40%	42.00%	26.80%	3.74	1.12
In our county, there is assessment of the financial records by the top financial management	5.10%	11.50%	19.70%	37.60%	26.10%	3.68	1.13
Average						**3.71**	**1.12**

The descriptive statistics presented in Table 4 indicate that 61.80% (35.00%+26.80%) of the staff disagreed there are regular and periodic evaluations of the funds before the end of the financial year report, while 19.80% (4.50%+15.30%) agreed with the statement and 18.50% remained neutral. The mean score of the survey question was 3.64, with a standard deviation of 1.16. This implied majority of the staff disagreed that there are regular and periodic evaluations of the funds before the end of the financial year report. It was found that 70.70% of the respondents disagreed the internal assessment of books of accounts are effective and are not influenced by the senior management, while 10.80% agreed and 18.50% remained neutral. The mean score was 3.88, with a standard deviation of 1.021. It was found that 59.20% of the staff disagreed that in the county, the approvals and authorization of any county expenditures is adequate, while 19.70% agreed with the statement and 21% remained neutral.

The study found that 68.80% of the staff disagreed that there are effective internal reviews of revenue targets during the financial year 17.80% agreed with the statement and 13.40% remained neutrals. This was backed by a mean of 3.74 and a standard deviation of 1.116, implying that the majority of the respondents disagreed there is effective internal reviews of revenue targets during the financial year. Lastly, the study found that 63.70% of the respondents disagreed the in Tana River County, there is an assessment of the financial records by the top financial management and 16.90% agreed with the statement, while 19.70% remained neutral. The study had a mean of 3.68 and a standard deviation of 1.1132. The average mean score of the survey questions was 3.706, with a standard deviation of 1.1178. Moreover, from the interview session, It was reported by chief officer 5 that, "*separation of duties and responsibilities in the county has led to efficiency among the employees in finance and audit department*." Moreover, it was indicated by the chief internal auditor that "specialization *has led to the efficiency within the finance and audit department*." Furthermore, it was suggested by director 5 that "*separation of the duties enhances the efficiency of the employees*." In addition, chief officers 1, 2, 3, 5, 7 and 9 indicated that one of the critical factors that increase the efficiency of the employees is the separation of the duties and responsibilities.

4.2.5 Government Policies and Regulations

The fifth objective of the study was to establish the effect of government policies and regulations on financial accountability in Tana River County. The descriptive statistics are presented in Table 5 below

https://doi.org/10.53819/810181025024

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

Table 5: Descriptive Statistics on Government Policies and Regulations

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The county activities consent to the all set government strategies and guidelines	6.40%	17.20%	10.20%	27.40%	38.90%	3.75	1.30
There exists a legal unit inside the county that refreshes the executives on any sort of changes in the administrative condition	6.40%	15.30%	13.40%	28.70%	36.30%	3.73	1.27
Suggestions of the legitimate unit in the county are accounted for straightforwardly to the review just as dangers organization units	5.70%	14.00%	17.80%	34.40%	28.00%	3.65	1.19
Changes in government guidelines are actualized in the county immediately	5.10%	17.20%	10.80%	24.80%	42.00%	3.82	1.29
The county regularly examines its plans and also agendas to show modifications in government adjustments	9.60%	19.70%	14.00%	35.00%	21.70%	3.39	1.29
Average						**3.67**	**1.27**

Based on the results presented in Table 5, 66.30% (27.40%+38.90%) of the respondents disagreed the county activities consent to the all set government strategies and guidelines, while 23.60% (6.40% +17.20%) agreed with the statement and 10.20% remained neutral. The mean score of the survey question was 3.75 with a standard deviation of 1.304 and this implied that majority of the respondents disagreed the county activities consent to the all set government strategies and guidelines. It was found that 65% of the respondents disagreed there exists a legal unit inside the county that refreshes the executives on any sort of changes in the administrative condition and 21.70% agreed with the statement, while 13.40% remained neutral. The mean score of the survey question was 3.73, with a standard deviation of 1.273. The study also found that 62.40% of the respondents disagreed that suggestions of the legitimate unit in the county are accounted for straightforwardly to the review just as dangers organization units and 19.70% agreed with the statement while 17.80% remained neutral. It was found that 66.80% of the respondents disagreed that changes in government guidelines are actualized in the county immediately, while 22.30% agreed with the survey question and 10.80% remained neutral. The mean score of the survey question was 3.82, with a standard deviation of 1.285. The study found that 56.70% of the respondents disagreed the county regularly examines its plans and also agendas to show modifications in government adjustments, while 29.30% agreed with the statement and 14% remained indifferent. The mean score of the survey question was 3.39, with a standard deviation

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

of 1.285. Finally, the average mean score of the survey questions of contingency recovery plans was 3.668, with a standard deviation of 1.2678.

4.2.6 Financial Accountability

The dependent variable in this study was financial accountability in Tana River County. The descriptive statistics are as shown in Table 6 below.

Table 6: Descriptive Statistics on Financial Accountability

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
In our county, there is high accountability that has led to transparency in public funds management	5.70%	15.30%	8.90%	36.90%	33.10%	3.76	1.23
In our county transparency has led to minimization of frauds and embezzlement of funds	5.10%	15.30%	7.00%	21.00%	51.60%	4.06	1.24
in our county, regular reporting have led to cost management in the county	4.50%	8.30%	8.30%	42.00%	36.90%	3.99	1.09
The cost management systems in the County has led to immediate reporting	5.10%	7.60%	5.70%	48.40%	33.10%	4.08	0.98
In our county, the top management in the county persistently monitors the junior employees to increase accountability	1.90%	9.60%	4.50%	47.10%	36.90%	4.08	0.98
Average						**3.99**	**1.10**

The study results presented in Table 6 showed that 70% (36.90%+33.10%) of the staff disagreed that in Tana River County, there is high accountability that has led to transparency in public funds management, while 21% (5.70%+15.30%) agreed with the survey question and 8.90% remained neutral. The mean score of the survey question was 3.76, with a standard deviation of 1.225. The indicated that the majority of the respondents disagreed there is high accountability that has led to transparency in public funds management in Tana River County. It was found that 72.6%% of the respondents disagreed transparency has led to minimization of frauds and embezzlement of funds in their County, while 20.40% agreed with the survey question and 7% remained neutral. Moreover, the study found that 78.90% of the respondents disagreed regular reporting has led to cost management in the County and 12.80% agreed with the statement, while 8.30% remained undecided. The mean score of the survey question was 3.99, with a standard deviation of 1.092. This implied that the majority of the staff disagreed that in the County, regular reporting has led

https://doi.org/10.53819/810181025024

to cost management. Further, the study found that 81.50% of the staff disagreed the cost management systems in the County has led to immediate reporting, while 12.70% agreed with the statement and 5.70% remained neutral. The mean score of the survey statement was 4.08, with a standard deviation of 0.978. This signified that the majority of the respondents disagreed the cost management systems in the County has led to immediate reporting. It was found that 84% of the respondents disagreed that the top management in the County persistently monitors the junior employees to increase accountability, while 11.50% agreed with the statement and 4.50% remained neutral. The mean score of the survey question was 4.08, with a standard deviation of 0.984. The average mean score of the survey questions was 3.994 with a standard deviation of 1.1042. This implied majority of the staff disagreed with the financial accountability survey questions.

4.3 Correlation Analysis

The correlation analysis is used to show the association between the independent and dependent variables. The association can be positive, negative, or no association. The Correlation results are shown in Table 7 below.

Table 7: Correlation Analysis

		Financial Accountability	Risk Management Systems	Internal Audit	ICT Systems	Monitoring	Government Interventions
Financial Accountability	Pearson Correlation	1.000					
	Sig. (2-tailed)						
Risk Management Systems	Pearson Correlation	.595**	1.000				
	Sig. (2-tailed)	0.000					
Internal Audit	Pearson Correlation	.681**	.375**	1.000			
	Sig. (2-tailed)	0.000	0.000				
ICT Systems	Pearson Correlation	.594**	.377**	.434**	1.000		
	Sig. (2-tailed)	0.000	0.000	0.000			
Monitoring	Pearson Correlation	.444**	.299**	.350**	.271**	1.000	
	Sig. (2-tailed)	0.000	0.000	0.000	0.001		
Government Interventions	Pearson Correlation	.756**	.510**	.681**	.434**	.345**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	

The correlation results depicted in Table 7 establish a positive and significant association between risk management systems and financial accountability (r=.595, p=.000). Also, a positive and significant association exists between internal audits and financial accountability (r=.681, p=.000). Likewise, information and communication systems are positively and significantly associated with financial accountability (r=.594, p=000). Similarly, there is a positive and significant association between monitoring and financial accountability (r=.444, p=000). Finally, it was found that government intervention and financial accountability is positively and significantly associated (r=.756, p=000). The results concur with the findings of Muhunyo (2018) that found that there is a positive relationship between risk management systems and financial accountability. Mustika (2015) established there was a positive correlation between internal audits and financial accountability. Furthermore, Gitau (2018) reported that better information and communication systems result in better financial accountability. Further, Musya (2014) revealed that enhanced monitoring systems enhance financial accountability among county governments.

4.4 Regression Analysis

The regression analysis includes the analysis of model fitness, analysis of variance and regression of coefficient.

The results of the model fitness is presented in Table 8

Table 8: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.821a	0.674	0.666	0.198225

a Predictors: monitoring, information and communication systems, risk management systems, internal audit.

The results presented in Table 8 establish that monitoring, information and communication systems, risk management systems and internal audit were found to be satisfactory in explaining the financial accountability in Tana River County. The coefficient of determination, also known as the R square, is 0.674 (67.4%). This implied that monitoring, information and communication systems, risk management systems and internal audits explain 67.4% of the variations in the dependent variable, which is financial accountability. These findings agree with Moloi (2016) who established that better risk management results in better financial accountability. Similarly, Modibbo (2015) ascertained that better auditing brought by auditors' independence and separation of duties enhanced financial accountability in Nigerian county governments.

The results of the analysis of variance is depicted in Table 9

Table 9: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.362	4	3.09	78.651	.000b
	Residual	5.973	152	0.039		
	Total	18.334	156			

a Dependent Variable: Financial Accountability
b Predictors: (Constant), Monitoring, Information and Communication systems, Risk management, Internal Audit

The results in Table 9 indicate that the overall model is statistically significant. This is supported by an F statistic of 78.651 and a reported p-value of 0.000, which is less than the conventional probability significance level of 0.05, implying that the independent variables (monitoring, information and communication systems, risk management systems, internal audits) are significant in predicting financial accountability. The findings are in line with Nwaobia et al. (2016) who found that increased openness and transparency results in improved management of risk and subsequently better financial accountability. Mustika (2015) established that improving the capacity of audit systems enhances financial accountability since it is easier to monitor transactions. Finally, Musya (2014) also revealed that enhanced monitoring improves financial accountability in county governments.

The study results on regressions of coefficients is depicted in Table 10

Table 10: Regressions of Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.300	0.261		-1.15	0.252
Risk Management Systems	0.287	0.050	0.301	5.742	0.000
Internal Audit	0.406	0.055	0.403	7.393	0.000
Information and Communication systems	0.250	0.050	0.267	5.004	0.000
Monitoring	0.144	0.052	0.141	2.777	0.006

a Dependent Variable: Financial Accountability

The model is;

$$Y = -0.3 + 0.287X_1 + 0.406X_2 + 0.250X_3 + 0.144X_4 + \varepsilon$$

The results from Table 10 shows that risk management is positively and significantly related to financial accountability ($\beta=.287$ $p=0.000$). This was supported by a calculated t-statistic of 5.742 that is larger than the critical t-statistic of 1.96. This implied a unitary improvement in risk management system would lead to an increase in financial accountability by 0.287 units when other factors are held constant. The results concur with the findings of Muhunyo (2018) who showed that risk evaluation, risk investigation, control activities and collaboration had a positive effect on financial performance. Another study by Mwazo et al. (2017) indicated that internal control systems are fundamental in enhancing service delivery within the county. Furthermore, Muthusi et al. (2017) noted that a positive and significant association exists between risk evaluations, information and communication systems and financial accountability. Moreover, it was found that internal audits and financial accountability are positively and significantly related ($\beta=.406$ $p=0.000$). This was supported by a calculated t-statistic of 7.393 that is larger than the

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 5||Issue 3||Page 111-132||October||2021|
Email: info@stratfordjournals.org ISSN: 2616-4965

critical t-statistic of 1.96. This signified a unitary increase in internal audits leads to an increase in financial accountability by 0.406 units when other factors are held unchanged. The results agree with the findings of Baharud-din et al. (2014) who revealed that the independence of the employees in the making of the decisions is fundamental in increasing their commitment and hence their performance.

Likewise, the study found that information and communication systems and financial accountability is positively and significantly related (β=.25 p=0.000). This was supported by a calculated t-statistic of 5.004 that is larger than the critical t-statistic of 1.96. This signified a unitary improvement in information and communication systems lead to an increase in financial accountability in the county by 0.25 units when other factors are held constant. The results concur with Gitau (2018) who established that information and communication systems are critical in promoting performance. Moreover, it was indicated by Njeri (2014) internal controls are significant in enhancing the financial accountability of the companies.

The study also found a positive and significant relationship between monitoring and financial accountability in Tana River County. (β=.144 p=0.000). This was supported by a calculated t-statistic of 2.777 that is larger than the critical t-statistic of 1.96. This is in line with the findings of Agbenyo et al. (2018) that established that enhanced government monitoring frameworks result in improved financial accountability in governments. Moreover, Mary et al. (2014) indicated that the internal monitoring and evaluation of budgetary allocation is critical in enhancing performance. A study conducted by Agbenyo et al. (2018) indicated that monitoring government accounts through regular evaluations and comprehensive internal reviews increases financial accountability. Financial accountability determines the extent of the embezzlement of the money within the departments.

4.5 Moderating Effect of Government Policy and Regulations

The study sought to examine the moderating influence of government policy and regulations on the relationship between internal control systems and financial accountability in Tana River County. The moderating effect was assessed and results explained using coefficient of determination (R-Square) and the regression coefficients. The coefficient of determination (Squared) for internal control systems, government policy and regulations and financial accountability is as illustrated in Table 11

Table 11: R^2 for Internal Control Systems, Government Policy and Regulations and Financial Accountability

Model	R Square
1	0.653
2	0.730
3	0.739

The results in Table 11 shows that the R squared for the moderating effect had varying values. The first step for regressing internal control systems against financial accountability had an R square of 65.3%. In step 2, internal control systems, government policy and regulations is regressed against financial accountability and the R square obtained is 73%. The third step regressed internal control systems, government policy and regulations, and interaction term internal control systems* government policy and regulations against financial accountability and the R square is 73.9%. The results imply that the R square for the model increased from 65.3% to 73% and 73.9% after the interaction term. Thus, we conclude there is a moderating effect of government policy and regulations on the relationship between internal control systems and financial accountability in Tana River County. Further, the regression of coefficients for internal control systems, government policy and regulation

Table 12: Regression of Coefficients for Internal Control Systems, Government Policy and Regulations and Financial Accountability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.367	0.264		-1.391	0.166
	Internal Control Systems	1.103	0.065	0.808	17.074	0.000
2	(Constant)	-0.48	0.234		-2.049	0.042
	Internal Control Systems	0.746	0.079	0.547	9.493	0.000
	Government Policy and Regulations	0.382	0.058	0.381	6.617	0.000
3	(Constant)	-6.545	2.673		-2.448	0.015
	Internal Control Systems	2.263	0.671	1.657	3.375	0.001
	Government Policy and Regulations	1.925	0.68	1.919	2.831	0.005
	Internal Control Systems* Government Policy and Regulations	0.384	0.169	2.439	2.277	0.024

The regression of coefficients results presented in Table 12 depicts that in step one, the regression model of internal control systems against financial accountability is positively and significantly related (β=1.103, p=0.000). In step two, the results show that the regression model of internal control systems, government policy and regulations is regressed against financial accountability s positively and significantly related (β=0.746, p=0.000; β=0.382, p=0.000). In step three, the results show that the regression model of internal control systems, government policy and regulations, and interaction term internal control systems* government policy and regulations against financial accountability is positively and significantly related with β=2.263, p=0.001; β=1.925, p=0.005; β=.384, p=0.024 respectively. Thus, government policy and regulations has a positive and significant effect on the relationship between internal control systems and financial accountability in Tana River County.

5.0 Conclusions

Based on the study's findings, it is concluded that risk management is positively and significantly related to financial accountability. The risk management system is developed to spur efficiency and transparency. The evaluation of risks in advance enables the organization to maintain those risks within controlled levels. The risk management includes the evaluation of risks and recording of those risks to minimize the chances of it becoming unbearable. Moreover, the study concluded that internal audits and financial accountability is positively and significantly related. The internal audit includes the internal auditor executing obligations with a greater level of autonomy and freedom from senior monitoring. The independence of auditors, separation of duties and responsibilities are potent in increasing the capacity of the auditor and hence improves financial performance and accountability in local governments. The study concluded that information and communication systems and financial accountability is positively and significantly related. The information and communication systems include creating efficient policies and procedures on channels of interaction. The information and communication systems can incorporate the development of active communication structures for easy access of information. The study further concluded that monitoring systems and financial accountability is positively and significantly related. The monitoring can include regular and periodic evaluations of the funds before the financial year report. The internal monitoring and evaluation of budgetary allocation is critical in improving financial accountability. The study concluded there is a partial intervening effect of government policy and regulations on the relationship between internal control systems and financial accounting in Tana River County.

6.0 Recommendations

Based on the finding of the study, it is recommended there is a need to record risks connected with attaining the objectives of the County. There should be a high evaluation of risks in the County to maintain those risks within controlled levels. The management needs to identify any risks and prevent it before becoming uncontrollable. There should be effective decision making in the County in matters to do with finance management and the management in the County has to develop a risk mitigation strategy to spur efficiency and transparency. It is recommended that the external auditors audit financial reports of the counties after being presented by the internal auditors. The internal auditor in the County need to execute obligations with a greater level of autonomy and freedom from senior monitoring. It also suggested there should be a separation of duties and responsibilities in the audit team. Moreover, the internal auditor in the County to make proper recommendations for monitoring to improve without biasness. It is recommended the internal auditor be monitored regularly to minimize the chances of presenting reports with mistakes and exaggerations.

It is recommended there is the need to have effective personnel policies and procedures for money monitoring and the County should make use of suggestion boxes for acquiring details that is sensitive and personal. It is also recommended that county governments need to create efficient policies and procedures on channels of interaction. The County to develop active communication structures for easy access of information and there should be the promotion of cooperation among auditors in different departments to give well-developed strategies to non-compliance in financial issues. The study recommended there is the need to have internal reviews of revenue targets during the financial year. It is also recommended that there should be approvals and authorization of any county expenditures. The study recommended that there should be regular and periodic evaluations of the funds before the end of the financial year report. Moreover, the study recommended that there is the need to have an assessment of the financial records by the top financial management in the counties. It is recommended that corrupt individuals should be forced to return whatever they have stolen three times to scare others with the intention of siphoning the public resources. It is recommended that the time limit should be set for the cases to do with the embezzlement of the public resources. Stringent measures should be taken against the county employees found with corruption cases.

REFERENCES

Ahmad, S., N., Isa, M., Y. & Tapa, A. (2016). Disclosure of Threat Management Practices in Malaysian Public Colleges. International Journal of Academic Study in Organization and Social Sciences, 6(11), 404-410. https://doi.org/10.6007/IJARBSS/v6-i11/2409

Babbie, E. (2004). The practice of social research. Belmont, California

Baharud-din, Z., Shokiyah, A. & Ibrahim, M., S. (2014). Elements that add to the adequacy of inner review in open part. Universal Proceedings of Economics Development and Research 7(5), 126 -137.

Banerjee, A., Duflo, E., Imbert, C., Mathew, S., & Pande, R. (2020). E-governance, accountability, and leakage in public programs: Experimental evidence from a financial management reform in india. American Economic Journal: Applied Economics, 12(4), 39-72. https://doi.org/10.1257/app.20180302

Cheruiyot, M., P., Namusonge, G., S. & Sakwa, M. (2018). Effect of Internal Control Practices on Performance of County Governments in Kenya. Worldwide Journal of Social Sciences, 4(8), 224 -234

Cooper, D., R. & Schindler, P., S. (2014). Business Research Methods. Data Preparation. McGraw-Hill Irwi. Boston

Cronbach, L., J. (1951). Coefficient alpha and the inside structure of tests. psychometrika, 16(3), 297-334. https://doi.org/10.1007/BF02310555

Dodaro, G. L. (2020). Fiscal Year 2021 Budget Request: US Government Accountability Office. Government Accountability Office Washington Dc Washington DC United States.

Gaitho, P. R. (2020). An Assessment of Financial Reporting and Auditing Practices in County Governments of Kenya. Journal of Public Administration and Governance.

Jantz, B., Christensen, T., & Lægreid, P. (2015). Performance management and accountability: The welfare administration reform in Norway and Germany. International Journal of Public Administration, 38(14), 947-959. https://doi.org/10.1080/01900692.2015.1069838

Kenya, B., I. & Muthusi, D., M. (2017). Inward Controls and Financial Performance of business. Diary of money and management, 4(6), 34 -47

Kothari, C. R. (2004). Research methodology: Methods and techniques. New Delhi: New Age international. India

Mugenda, O., M. & Mugenda, A., G. (2008) Research methods: Quantitative and qualitative approaches. Acts Press. Nairobi.

Mustika, A., C. (2015). Elements influencing the inward review viability. Jurnal Akuntansi dan Auditing, 12(2), 89-109.

Musya, F., M. (2014). The impact of inward controls on income assortment by province governments in Kenya. Global diary of the executives, 5(3), 76 -85

Njeri, C., K. (2014). Impact of inside controls on the money related execution of assembling firms in Kenya. (Unpublished Doctorate Thesis, University of Nairobi)

Taber, K., S. (2018). The use of Cronbach's alpha when creating and detailing research instruments in science training. Research in Science Education, 48(6), 1273-1296. https://doi.org/10.1007/s11165-016-9602-2