IMPACT OF INTERNAL CONTROL SYSTEMS ON FINANCIAL ACCOUNTABILITY IN COUNTY GOVERNMENTS IN KENYA: A CASE OF MARSABIT COUNTY

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

Signed: Date: 26/10/2021

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research project is dedicated to my wife Sabdio, my late father Diba, my mum Roge and my siblings, who have always encouraged and supported me throughout my life and during the entire period of my study as well as successful completion of this course.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CGM	County Government of Marsabit
COB	Controller of Budgets
CoK	Constitution of Kenya
COSO	Committee of Sponsoring Organization
ICS	Internal Control environments
IPPAR	Institute of Public Policy Analysis and Research
KRA	Kenya Revenue Authority
OAG	Office of the Auditor General
OLS	Ordinary Least Squares
SPSS	Statistical Package for Social Sciences
UNES	University of Nairobi Enterprise and Services
VIF	Variance Inflation Factors

ABSTRACT

The county governments in Kenya are facing challenges in the implementation of financial accountability. The reports of the OAG and the CoB raised red flags on several financial year expenditures. The increase in financial misappropriation instances suggests that there is a significant demand for research to identify and prevent possible theft of public funds. The main aim of this research was to analyze the influence of internal control systems on financial accountability in Marsabit County. The following objectives were used to provide guidance; to determine the influence of control environment on financial accountability, to study the effect of control activities on financial accountability, to study the effect of monitoring on financial accountability, to establish the effect of ICT systems on financial accountability and to assess the impact of risk assessment on financial accountability. This research adopted Agency theory, attribution theory and accountability theory. A descriptive research design was used in this research. The 102 employees in the department of finance and economic planning in Marsabit County served as the research population. Sample size was 81 respondents arrived at using Slovin's formula. This research relied on primary data collected through questionnaires. Google forms were made use of in the questionnaire administration. The collected data was converted into quantitative format to make analysis using statistical package for social sciences. The statistics generated were descriptive statistics which included mean and standard deviation and inferential statistics which included both correlation analysis and multiple linear regression. The study revealed a significant positive relationship between control environment, control activities, monitoring, ICT systems, risk assessment and financial accountability in Marsabit County. Regression analysis revealed that 66.2% of changes in financial accountability were attributed to the five variables selected in this study. In conclusion, control environment, control activities, monitoring, ICT systems and risk assessment are essential in enhancing financial accountability. Based on the findings, monitoring had the greatest influence on financial accountability followed by control activities while control environment had the least influence. As a result, it is recommended that Counties should focus on internal control systems, as this improves financial accountability.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Internal control systems in both the private and governmental sectors in the globe have become essential due to the evolvement of sophisticated business processes using technology and the expanded size of company units. Reid and Ashelby (2002) define two different kinds of internal controls: financial and non-financial. Financial controls include control of cash receivables and payables, operating financing and the management of financial inflows and outflows of the institution. Non-financial management controls, on the other hand, include non-financial activities such as human resource management, operations, fixed asset control and structural checks. Jensen and Payne (2003) reported that internal control environments improve financial accountability for organizational resource management.

On a theoretical basis, Jensen and Meckling (1976) Agency Theory describes the connection between agents and principals. It is about addressing issues that may occur in agency interactions between principals (the government) and principal's agent (the accounting officers). Schroth and Shah's (2000) attribution theory focuses on the function of auditors in internal control environments. The auditors will get greater understanding of internal controls, analyze the design and conduct of internal controls, and evaluate internal controls' operating efficiency. The Tetlock and Lerner (1999) accounting theory shows how the superficial desire to defend one's conduct against another party reflects and is responsible for the process by which decisions and decisions were made. At the same time, the seeming necessity for a choice and result increases the probability of intensive and methodical reasoning about one's regular ways.

The 2010 CoK set up a decentralized framework of 47 county governments. The powers and responsibilities of these counties are mentioned in Articles 191 and 192 of the Constitution of Kenya and in the Law on County Governments (2012). Weak financial management and accountability in the counties, human capacity limitations and development inequalities that need to be addressed. A number of measures were made to improve the ability of county governments to maintain budgetary discipline, increase operational efficiency, and distribute resources according to national development objectives. In Kenya, there was no study on the effect of internal control mechanisms on financial accountability. This study will thus assess the impact of Kenya county governments of the internal control environments on financial accountability.

1.1.1 Internal Control Systems

Internal control system is the process created and implemented by managers, governors and other persons to ensure that reliability, operational efficiency and conformity with applicable rules and regulations may be reasonably achieved (Gamage, Lock & Fernando, 2014). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) refers internally to internal controls as a systemic way of carrying out the operations and processes of the organization, under specific business rules and guidelines on the overall performance of the organization (COSO, 2011). The primary activities of effective internal control environments are monitoring, surveillance, risk assessments, information and communications (Woolf, 2013).

An organization has a control environment that influences the perceptions of its workers. It is an organization's attitude and how it works. This involves creating a climate in which individuals can do their duties and control tasks successfully. The control environment provides the foundation for internal control across companies via a variety of ideas, procedures and structures. The Board and Senior Management are important for internal control, including expected management standards. Management establishes expectations at different organizational levels (Oduol, 2011).

Control activities include actions set via rules and processes to guarantee management instructions are taken to minimize risks in order to achieve goals. Control activities must be carried out at all levels of the firm, in various business process stages and across the technical environment. They may have an investigative nature and include a range of human and automated processes, including approvals and authorizations, verification, reconciliation, and business performance evaluations. Segregation of duties is often incorporated in control selection and development (Garcia, 2004).

Monitoring is the method for monitoring the performance of a system over time. Staff should continually evaluate the different systems of internal control and updates, promptly resolve any disclosed deficiencies and incorporate them to the whole system of internal control. Internal control monitoring should include procedures and initiatives to quickly address audit findings and other evaluations. The monitoring efforts may be continuous or distinct, but are essential given the complex and changing environment most companies confront (Transparency International Kenya, 2014).

Risk assessment includes a dynamic, iterative process that identifies and evaluates threats to achieve objectives. Risks are evaluated in relation to traditional risk tolerances in order to meet these goals from throughout the organization. Risk assessment thus provides the foundation for assessing how risks are handled. The development of goals at various levels of the organization is a precondition for risk assessment (COSO, 2010).

Communication is a recurring, iterative process in which information is supplied, distributed and obtained. This is how information is disseminated throughout, up, down and across the company. It gives the management a clear message that control responsibilities should be treated seriously. The external communiqué provides important supplementary information and educates external parties according to demands and opinions (COSO, 2013).

1.1.2 Financial Accountability

Koh and Woo (2008) accountability is fiscal or financial honesty and the prevention of fraud, ensuring that money is spent and recorded in compliance with agreed and relevant standards and stakeholders are correctly reporting in good time. Financial accountability can also be defined as an organization's finances in order to achieve its financial objectives (Tooley & Hooks, 2009). This includes two elements, financial planning, which means that adequate money can be made available to fulfill the requirements of the organization in the short, medium and long term, and financial control in order to determine if the presented plan achieves the goals of the organization (Wright, Mukherji, & Kroll, 2001).

Financial accountability is a major motivator for any institution's success. Consequently, governments and other commercial and public organizations have implemented in-house monitoring methods for controlling the use of money. The system of internal control, led by management and other employees, aims to accomplish objectives. It plays a major role in identifying and preventing disappointment and safeguarding the physical and intangible assets of the organisation. Internal inspections inside public high schools include control environment, risk assessments, control activities, information and communication, and monitoring (IPPAR, 2014).

There are five actions for successful accountability; defined roles, clear responsibilities, explicit target performance predictions, well-adjusted expectations and equilibrated capacity. The future of performance has to be clearly connected to and balanced with the ability to report confidently. The accounting parties should conduct a genuine assessment and comment on the performance obtained. Liability is accomplished by generating, preserving and making accurate and relevant financial and non-financial information accessible and fairly disclosing such information in timely reporting, to both domestic and external stakeholders. The economy, efficiency, and successful strategies and procedures and internal controls and their efficacy may be linked to non-financial information (Friedberg & Lutrin, 2010).

1.1.3 Internal Control Systems and Financial Accountability

Several theories have shown positive relationship of internal controls on financial accountability. For instance, agency theory assumes that through separating ownership and control of organization managers are likely to act in owners' best interests. Therefore, the interest of managers should be aligned to match the organizational goals through various control structures (Zimmerman, 2011).

According to the Theory of Contingency, a business would accomplish its objectives if organised on the basis of its surroundings (Richard, 2003). Liability is accomplished by generating, preserving and making accurate and relevant financial and non-financial information accessible and fairly disclosing such information in timely reporting, to both domestic and external stakeholders. Internal and external variables influence business performance, while internal factors may be monitored via good internal control environments. External factors affect the overall industry and control mechanisms have minimal effect on them (Jokipii, 2009).

The management of global complexity has emphasized the necessity for appropriate internal control mechanisms to regulate both risks and company performance (Bastia, 2008). According to Olumbe (2012), efficient internal controls systems assist avoid, eliminate and reduce mistakes, fraud and waste. He said, however, that inadequate internal controls led to inefficient initiatives and to losses. According to Mawanda (2008), it maintains that the financial performance of companies who create strong internal controls will increase enormously. Top management is exclusively responsible for ensuring that internal controls support financial and commercial policies of the company.

Ndungu (2013) showed that the degree to which ICSs of organisations must be substantially organized in order to guarantee a continual rise in returns is evident by altering the competitive environment. The favorable connection between ICS and financial accountability is identified between Mwakimasinde, Odhiambo and Byaruhanga (2018). On the other hand, Chandra (2002) found that a sound and effective risk assessment process helps firm's management in detecting any internal and external threat to the firm hence enhancing financial accountability.

1.1.4 County Governments in Kenya

County Governments are designated geographical and constitutional subdivisions of Kenya, 2010. These units were established from the 1992 district of Kenya and thus creating the forty-seven-county government. Under Articles 191 and 192 of the

Fourth Annex to the Kenyan Constitution (CoK) and the County Governments Act 2012, the provisions and powers for county governments are provided for. Devolution established a county government which resulted in the counties' share of the national cake, thus the resources held only by the centralized executive and legislative government are divided to the 47 county executives and assembly (CoK, 2010).

Corruption, waste, and unequal distribution of resources were the key drivers of demand for devolution in Kenya, which was a prescription for political instability (Ndii, 2010). Revenue transfer is supposed to achieve resource sharing equity and is known to have a positive impact on governance and government quality (Huther & Shah, 1998).Muoria (2011) noted that revenue transfer is a necessary ingredient in the retention of order and equity in any society. County governments are required to operate transparently and conduct public engagements in their decision-making. Ndegwa (2002) rated Kenya's decentralization status as third (from a sample of 30 countries in Africa).

From the year 2013, the National Government began transferring a minimum 15% of nationally collected revenue which has been most recently audited by the auditor general to the 47 Counties for use in their various programmes and projects. The funds are distributed among all counties based on a set of criteria that includes population size, land area, and poverty levels. Conversely, county governments raise funds from local sources to augment transfers from the federal government. This is done through local tax collection in the form of property rates, charges and various fees. Intergovernmental transfers of grants as well as other conditional money to carry out nationally defined programs and projects within the counties were also sustained by the national government (Ocharo, 2019). There need to be internal control mechanisms to ensure accountability of the devolved funds.

1.1.5 Marsabit County

Marsabit County is located in the extreme part of northern Kenya and has a total area of 70,961.2 sq. km. It has an international boundary with Ethiopia to the north, borders Turkana County to the west, Samburu County to the south and Wajir and Isiolo counties to the east. According to the 2019 Kenyan population and housing census, the population was 459,785 with a population density of 6 people persquare kilometer and an annual growth rate of 2.8%. The major economic activities are livestock rearing and cross border trade. Marsabit County has four constituencies which are divided into 20 electoral wards (Marsabit County, 2021).

Most of the county constitutes an extensive plain lying between 300m and 900m above sea level, sloping gently towards the south east. The plain is bordered to the west and north by hills and mountain ranges and is broken by volcanic cones and calderas. The main physical feature is the Chalbi Desert which forms a large depression covering an area of 948 sq km. The depression is within the Great Rift Valley and is separated from Lake Turkana, which is 65 -100m lower in elevation, by a ridge that rises to 700m (Marsabit County, 2021).

1.2 Research Problem

As a corporate governance mechanism, the function of internal control environments is becoming more important due to the change in technology, increasing business risks and the complexity of business transactions. The Agency theory supports the existence of an internal control mechanism to improve an institution's financial accountability (Jensen & Meckling, 1976). The contingency theory, however, maintains that the success of an organisation, since no comparable organizational structure applies to other organizations, depends on an efficient internal control mechanism. This demonstrates that institutions should concentrate heavily on internal issues by improving their internal control mechanisms in order to improve their financial accountability (Njeri, 2014).

The county governments in Kenya are facing challenges in the implementation of financial accountability. The reports of the OAG and the CoB raised red flags on several financial year expenditures. The increase in financial misappropriation instances suggests that there is a significant demand for research methods that better identify and prevent possible theft by auditors and researchers. The research seeks to offer the counties with a knowledge of the financial malpractices of the financial process and their effect on the provision of services to the people. As shown in the literature study, public sector financial accountability in counties frequently leads to inadequate service provision.

Empirically, Eniola and Akinselure (2016) investigated the impact of internal control measures on Nigerian listed manufacturing companies' financial performances and identified a strong negative connection between external and organizational fraud. This study exhibits a conceptual gap as it was focused on financial performance which is a different concept from financial accountability. Shabri, Saad and Bakar (2016) focused on Malaysia's internal control environment and co-operative performance and discovered that co-operative companies' internal control environments had favorable impacts on their profitability. The research provides a background information gap to be filled in the present study since it was carried out in Malaysia on cooperative societies. Widyaningsih (2015) investigated the effect on financial accountability in the basic schools of Bandung in Indonesia on internal control structures and established a favorable connection. The study however presents a methodological gap as it was qualitative in nature and therefore need for a quantitative study to confirm the findings.

Locally, Asiligwa (2017) focused on internal control environments and commercial banking financial performance in Kenya and identified a favorable connection between domestic control environments and commercial financial performance. There exists a conceptual gap as financial accountability was not addressed. Mogunde (2016) focused on cement companies and discovered that the internal control factors relate positively to financial performance. This research generates a contextual information vacuum which the current study is trying to address, since the emphasis was on cement companies. Ndungu (2013) concentrated on internal control environments and the creation of income at Nairobi University of Enterprise and Services (UNES) and found that UNES internal control environments had an effect on revenue production.

While the results of all the studies conducted in Kenya to date indicate positive responses to financial performance, there remains a deficiency, since no studies in Kenya focuses on internal financial accounting control environments, particularly in the county governments facing financial misappropriations. These knowledge gaps were the motivation for the current study. This research sought to address the issue of how internal control systems in the Kenya County Governments influence financial accountability?

1.3 Research Objectives

The study sought to evaluate the impact of internal control systems on financial accountability of Kenyan County Governments.

1.4 Value of the Study

The existing theory is strengthened as a result of this study. This will be by adding more literature to the existing collection of works on the variables in the world. It is also a major source of information on internal control systems and financial accountability for future researchers or academics.

Policymakers should be very interested in this research including the national treasury and council of governors in their mandate to ensure financial accountability of public funds. The policy makers would be able to assess the significant role placed by internal control environments and how to contain the negative effects of financial misappropriation.

The findings of the study will avail recommendations to the County governments on the options for improvement of its financial accountability in the future to ensure that the counties can achieve their set targets over the respective financial years. This research will assist the county governments in formulating laws and processes that will guide them on ensuring effective financial control environments for enhanced financial accountability.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Key theories underpinning internal control environments and financial accountability will be discussed here. The chapter goes on to examine the theoretical framework that underpins the study variables, as well as the drivers of financial accountability, research gaps, an empirical evaluation, and the conceptual framework.

2.2 Review of Key Theories

This investigation offers an outline of the main theories that explain the relationship between financial accountability and internal control environment. Agency theory, attribution theory and accountability theory are all addressed in the theoretical reviews.

2.2.1 Agency Theory

The theory of Jensen and Meckling (1976) is the anchor of current research. The idea of the agency describes the connection between agents and principals. It is about addressing issues that may occur in agency interactions; that is to say, between agents of the principal (the accounting officers) and principal (government). The two issues addressed in the agency theory are: 1) the problems arising when the principal's wishes and/or objectives are met, and the principal cannot check the agent's performance (because this is difficult and/or expensive), and 2) the problems arising when the agent and principal are at different risk positions. The principal and agent may, because of differing risk tolerances, be motivated to take divergent measures. Shankman (1999) further contends that agency theory highlights the connection between one player, and the group (the agent), that has particular duties for another player, or group (the principal) for their economic relationship.

Eisenhardt (1989) has identified problems that could arise in the interpersonal relationship; the aim of principal and agent conflict is to cost the principal the responsibility for monitoring and evaluating the agent's actions, and it is difficult for the principal to monitor and assess the agent's actions. The Agency's partnership focuses on choosing appropriate governance frameworks between the principle and the officer to ensure that the agents and managers are effectively aligned. The purpose is to guarantee that the agent serves the interests of the principal, reducing the expenses of the agency. Both outcome and behavioral contracts are used for this purpose. The Agency theory focuses on a link which reflects the basic structure of a leader and co-operating agency but which has different aims and risk positions.

The connection between two parties is often an agency, where the first is a principle, and the other is a principal in dealings with a third party. Agency relations arise when directors engage the agent to execute a service on behalf of the principle. Leaders often transfer decision-making power to the agents. Problems with the agency may occur when agents are incompetent and information cannot be completed. The theory helped the study by examining the competence of the agent (accounting officers) in the use of public funds for the principal (county government), the agent as it collects county revenue and spends for government, the principal, and to a larger extent the county citizen.

2.2.2 Attribution Theory

The attribution theory is a social psychology theory, created by Schroth and Shah (2000), which examines how individuals understand events and actions and how they attribute reasons to them. Reffett (2007) states that if assessors think that similar people have behaved differently in a particular situation, they (evaluators) are more likely to assign a person blame for the result. On the other hand the assessors prefer to assume responsibility for the result of the circumstance if evaluators think comparable individuals would have behaved in the same way. The first example is based on Zimbelman and Wilks (2004), the second on external or situational qualifications.

Studies suggest that people prefer to attribute others' actions to dispositional patterns and explain their behaviour (Wilks and Zimbelman, 2004; Schroth and Shah, 2000). This is often the case when the conduct seen is negative. Evaluators should thus infer that the internal control on revenue generation is not identified by auditors as a dispositional propensity and the auditors should be careless. Bonner et al. (1998) showed that when auditors fail to identify frequent misappropriations that would result in lower revenues, they are far more likely to be sued, and assessors believed that other auditors could detect fraud. Reffett's (2007) research extends the auditor's liability for the detection of fraud, predicting that auditors will be held more liable for fraud if the auditors do not discover fraud after having recognized fraud as a risk of fraud. Reffett's research results indicate an increase in auditors' duties when auditors detect fraud in the form of fraud risk and processes to investigate the recognized risk of fraud. The findings corroborate the Reffett forecast.

The attribution theory thus suggested that the auditors report on internal control efficiency. The auditors should thus get in-depth understanding of internal controls, assess internal monitoring design and execution and monitor internal controls' effectiveness. This is important for auditors to depend on other substantial auditing procedures and possibly decrease their income generation demands. Bonner et al. (1998) says that inspectors may use audit methods to prove carelessness if internal control-related fraud does not occur to auditors. This idea is important to the research because when fraud happens, identifiable persons are held responsible and auditors are likely to be liable if assessors decide that the under-standard audit services have been given.

2.2.3 Accountability Theory

Tetlock and Lerner proposed this theory (1999). The theory of accountability explains how the superficial desire to guard against another party's activities reflects and feels reprehensible for the process of reaching choices and judgements. This apparent necessity to take into consideration a decision-maker process and the results increases the probability of intensive and methodical reasoning on one's routine. The first also suggests that it is important distinguishing between its two most common applications as a virtue and a method to understand responsibility. Responsibility is seen as a characteristic in which a person is ready to take liability, a desirable attribute in public officials, government agencies or companies and therefore is a beneficial element of a company (Tetlock & Lenner, 1999).

Recent study has demonstrated that system design artefacts may affect four key components of the accountability theory, identifiability, assessment expectations, monitoring awareness and social presence. This increases employees' responsibility to the safety of the organizational structure, without interference or training (Trevor, Anderson & Didier, 2016). Identification is the awareness of a person that his output may be connected to him, revealing a genuine identity. The expectation of an evaluation is that one person will evaluate one's performance in accordance with certain normative ground principles and with implicit effects. Monitoring awareness is a user's active knowledge that the work of his/her system being observed. Social presence is the sensitivity of other system users (Wainaina, 2011).

The theory of accountability is important to this research because it helps to identify methods to improve accountability via internal monitoring. The expectation of evaluation, awareness of monitoring, and social presence through internal controls mean that the management is aware that the government will verify their financial statements through external auditing and give audit reports for which lack of accountability will be punishable.

2.3 Determinants of Financial Accountability

This section discusses the theoretically anticipated variables that affect financial accountability. These comprise the control environment, control operations, surveillance, Risk assessment and communication and information.

2.3.1 Control Environment

The control environment is considered the hallmark of an organization that affects its workers. It's an organization's mentality and how it works. It involves creating an environment in which individuals may successfully perform their activities and exercise their monitoring duties. The control environment is a set of ideas, methods and structures that constitute the basis of internal control throughout the company. The Board and the Management have emphasized the necessity for internal controls, including anticipated behavioral needs. Management reinforces expectations at the different organizational levels (Oduol, 2011).

An organization's ethical environment includes elements of higher management in the achievement of organizational goals, significant judgements, and management styles. This component is the basis of all other internal control components, which provide organizational discipline and structure. Morality, philosophy of management and a feeling of corporate ethics play a significant role in the control environment aspect (COSO, 2013).

2.3.2 Control Activities

Control activities are regulations and processes to guarantee that management standards minimize risks towards achieving targets. Check operations are carried out at all levels of the company, in different phases of business and in the technological environment. It may be detective and may include a variety of human and automated activities such as liability segregation, licenses and licenses, verification, reconciliation and company performance evaluation. Task segregation is often involved in selecting and developing control activities. Where tasks cannot be divided, management chooses and performs other control activities (Garcia, 2004).

There is insufficient information on management goals and internal controls; the information should be effectively communicated and cascaded to relevant people. It should be done correctly and in due course. In addition, it is necessary to utilize distinct reporting lines to operate a whistleblowing program optimally (COSO, 2013)

2.3.3 Monitoring

Monitoring is designed to assess system performance over time. Staff should continuously review the various internal control and update systems, promptly fix any identified shortcomings and add to the complete systems of internal control. Interior monitoring should include processes and strategies to swiftly address the findings of audits and other reviews (Transparency International Kenya, 2014). Monitoring ensures that the structures perform as planned activities. It is done via frequent or regular evaluations. These estimations assess if other internal control components continue to operate as planned. These estimates also enable recording of internal weaknesses in control and transmit them to appropriate administrators responsible for taking remedial measures. Serious weaknesses are communicated to senior management and managers when necessary (Moraa, 2015).

Monitoring performance includes computation of controls and reporting of evaluation results together with any corrective action needed. An operational control basis depends on an effective mindset and a strong emphasis on effective internal controls at the top of the organization (Carslaw, Richard & Mills, 2007). If the tone is weak and ineffectual at the top, every monitoring attempt should fail. The attitudes and convictions expressed and transmitted by the management and the board rely on every element and aspect of internal control (Friedberg & Lutrin, 2010).

2.3.4 Risk Assessment

Risk assessments are an ongoing and iterative process for assessing and analyzing risks to objectives. Risks related to traditional risk limits for achieving these goals throughout the business are evaluated. Risk assessment thus provides the foundation for deciding how risks are handled. The development of targets at different levels of the business is a requirement for risk assessment (COSO, 2010). Management sets goals within the operations, reporting and compliance categories that are sufficiently clear for identifying and analyzing risks for these goals. Management should also think on the suitability of the company's goals. A risk assessment also demands management to evaluate the effects of potential external environmental changes and business model changes that may reduce internal control inefficiencies (COSO, 2010).

Risks are assessed to assess the probability, impact and acceptability of an occurrence. Once the hazards have been identified, they are categorized as high, medium and low. A risk tolerance threshold may then be established based on the accuracy of the appraisal. For effective risk management, the required information should be gathered and communicated promptly across the enterprise, allowing workers, management and board members to perform their duties (Transparency International Kenya, 2014).

2.3.5 Information and Communication

Communication is the recurring and iterative process in which essential information is provided, distributed and accessed. This is how information is distributed throughout the company and travels around the company. It allows management personnel to get a clear notice that control duties need to be properly handled. External communications are doubled and significant external information may be received and other parties are provided with information in response to requirements and prospects (COSO, 2013).

The importance of information for an organisation's management cannot be overemphasized. Relevant information may be supplied in-house and externally, and extra financial reporting requirements and information supporting internal control operations may be placed on regulatory agencies. Management must thus make special efforts to get information on internal control requirements (Kenya International Transparency, 2014).

2.4 Empirical Studies

This section offers empirical examinations of the connection between internal checks and financial accounts. However, most studies concentrated on related factors and not necessarily two interest variables.

2.4.1 Global Studies

Mangoensetono (2012) investigated the impact of the fraud-inhibiting control environment. Qualitative research methodology was utilized to gather information from four Netherlands companies that consented to play a role. Data was gathered through survey and conference. Two questionnaires have been prepared: one for the administration of integrity and ethical principles, their governance style and the presence and involvement of the Board and its structure, and the other for staff, for their perspectives on established action, policy and management procedures. Results of the research indicated that ethical activity may reduce fraud. Additional findings indicate that there is a connection between leadership and creating an ethical environment and that involvement of the Board of Directors in authorities and supervision is strongly related to preventing fraud. A whistleblower policy was found to be effective only when disciplinary action is taken by management on reported cases.

Widyaningsih (2015) examined the effect on Bandung, Indonesia's primary schools' financial accountability, of the internal control environment. Path investigations were conducted to assess the effect on internal control of financial accountability. The results show that control environments, risk assessments, controls, information, communication and monitoring concurrently have a substantial impact on financial liability.

Eniola and Akinselure (2016) studied the link between financial success and internal controls in Nigeria. The study utilized the survey's research design. The primary data gathered via a questionnaire were given to five production companies in Kenya using a sample of 150 questionnaires. Data collected was tabulated on multiple regression analysis and analyzed through SPSS. Research has shown that the link between internal controls and corporate fraud is significantly adverse. This study shows that businesses are implementing strategies to enhance the internal fraud control environment.

In Malaysia, exploratory study methodology was employed in a sample of 433 employees, Zauwiyah and Mariati (2016) investigated control, worker fraud and counterproductive workplace behavior. Data were collected via an auto-administered questionnaire survey. The analysis comprised of frequency analysis, factor analysis, and regression. The findings point out that the control environment had more influence on organizational members' behaviors than predominant codes of conduct and that fraud and manipulation were a consequence of the frail control environment. They thus support the need for an information system in an organization that can identify fraudulent conduct and also promote a correct management environment that can prevent misleading acts.

Shabri, Saad and Bakar (2016) examined the impact of cooperative profitability in Malaysia on internal control systems. The research comprised a case study and data collection techniques. A retrograde examination of statistics has been done and the research has shown that national control environments have a favorable impact on cooperative profitability. The research creates a knowledge vacuum in context that this study seeks to address by the fact that cooperative societies have been impacted in

Malaysia.

The research of the function of the Internal Control systems in supporting Uganda's financial accountability was undertaken by Marus, Murezi, Mwosi and Ogwel (2018). Research has demonstrated that internal control environments have a good financial accountability connection. The study proposed that policymakers and other interest groups should not interfere with the utilization of public money. They should instead oversee and monitor government initiatives for the benefit of the people.

2.4.2 Local Studies

Mwachiro (2013) has undertaken study on how KRA revenue collection is affected by internal controls. Results were investigated and it was found that internal controls had a major role in ensuring that 5 control environments were able to gather, evaluate, monitor, report and communicate effectively. The study also showed that inadequate internal controls fostered collaboration with fraud, loss of income and theft of income. The study showed that the five components of internal control environments positively correlate with income and therefore financial success.

Kamau (2014) examined the impact of Kenya's industrial companies' internal controls on their financial performance. The results show that many manufacturing companies are controlled by internal corporate rules with a substantial financial effect. The results also showed that the employees were taught to execute financial management and accounting systems, to identify the security system and to preserve the organizational assets. The research indicates that the connection between domestic control and manufacturing companies' financial success in Kenya is favorable. The research suggests that auditors be continuously updated and well-founded on IFRSs and principles to improve their knowledge and know-how in the implementation of accounting procedures and to keep them informed on current problems.

The connection between internal control environments and fraud control in deposition institutions has been examined in Nyakarimi and Karwirwa (2015). The study recognized a relationship between each of the constructs of ICS and fraud control. The component of ICS was examined comprising environmental control, risk assessment, control operations, information and communication, and monitoring.

Ndembu (2015) has examined how economic performance is impacted by internal controls of manufacturing companies in Kenya. The research revealed that controls, risk assessments, information, communications and control activities have a positive and substantial link, whereas the surveillance has been negative in relation to the return on assets. The research suggests that all Kenyan industrial companies must establish an internal control environment.

Nyakundi et al. (2015) investigated the impact of accounting practices on public secondary schools of Central Kisii district financial management accounts. The research showed that the level of fund management is favorably linked with the extent to which accounting techniques are used. The research found that accounting practices had a good impact on the management of funds and recommended the very extensive use of these accounting practices and endorsed the compelling use of accounting practices to advance general fund management in public secondary schools in Kenya.

In 2015, Kahavizakiriza, Kisiangani and Wanyonyi studied financial management at Lurambi Sub-County public secondary schools. The findings showed that, although the government was not involved, Budget approval was mainly carried out by members of the Board. They also found that not all schools in a budget building engage everyone in the education system. The budgets generated were the work of the Principal and the Trustee, thus collaboration and corruption might arise.

Mogunde (2016) investigated the connection between the internal control of cement companies and their financial performance in Kenya. The research population was seven cement companies, however four companies were chosen for study purposes. The design of the study was survey research. Data were gathered by means of the questionnaire method and financial statements were utilized as a secondary data source. Data analysis was performed using SPSS to demonstrate the connection between variables with regression analysis. The research showed that the internal control factors relate positively to the financial performance. This research generates a contextual information gap that is being addressed in the current study since the emphasis was on cement companies.

Ondieki (2018) undertook to identify factors that influence financial management of public secondary schools in Marani Sub-County. The study used a descriptive study design and random sampling to collect data from public secondary schools. The respondents of the study were school accountants and head teachers. Results displayed that Bursars/accounts clerk and principals approved that they seldom involved parents, teachers, and students during financial matters of the schools and there was asymmetrical government auditing. The asymmetrical government auditing was found to be the main cause of financial mismanagement among public secondary schools in Marani Sub-County, Kenya. She suggested that government auditing should be consistent and should go through the books of accounts and reply back to the school with recommendations so as to minimize embezzlements and deception.

Munene (2018) assessed the effects of internal controls on the financial performance of technical training institutions in Kenya. The researcher used Survey, Correlation, and Case study Research Designs. His targeted population was Finance Officers, Heads of Departments, Management Committee members and Finance and Accounts staff as respondents from a population of 37 Technical Training Institutions in Kenya. Data was collected via questionnaires as well as a review of available documents and records. Data was analyzed using the Statistical Package for Social Scientists where conclusions were drawn from tables, figures from the Package. The study found out that the internal audit department is not efficient, is understaffed, doesn't conduct regular audit activities and doesn't produce regular audit reports although the few reports produced by the internal audit department address flaws in the system. It was further revealed that there is a clear separation of roles, flaws in the system are addressed, and there is a training program for capacity building in the institutions. However, the study also found out that there is a lack of information sharing and insufficient security measures to safeguard the assets of the Technical Training Institutions in Kenya

2.5 Summary of the Literature Review

This chapter has reviewed theories that explain the relationship between financial accountability and internal control environment. Agency theory, attribution theory and accountability theory were all discussed and their relevance to the study variables established. The review of empirical studies revealed contradictory results on the link between internal control system and public financial accountability. Most internal control systems research involves case studies and focuses on education institutions with unique features or material deficiency in internal control system. The fact that external auditing is weak means the expectation of evaluation and social presence will be weak thus leading to poor financial accountability as postulated by the accountability theory.

Many of the investigations examined have not focused on financial accountability internal control system in many counties, but on other governments and higher educational institutions. Additional papers examined addressed internal control mechanisms and international financial accountability. Because most studies have failed to demonstrate the role of controls, controls and monitoring, this study thus addresses these deficiencies. This study is thus intended to address this gap by focusing on financial accountability in Kenya county governments in the internal control systems, with an emphasis on County Marsabit.

2.6 Conceptual Framework

The conceptual framework shows the connection between the various components: control environment, monitoring activity, risk assessment, information and communication system and variable dependents; financial accountability. It is theoretically expected that strengthening of the internal control systems leads to a rise in financial accountability. This study operationalized internal control systems in terms of the primary activities of effective internal control system which are monitoring, surveillance, risk assessments, information and communications. Figure 2.1 shows the conceptual model

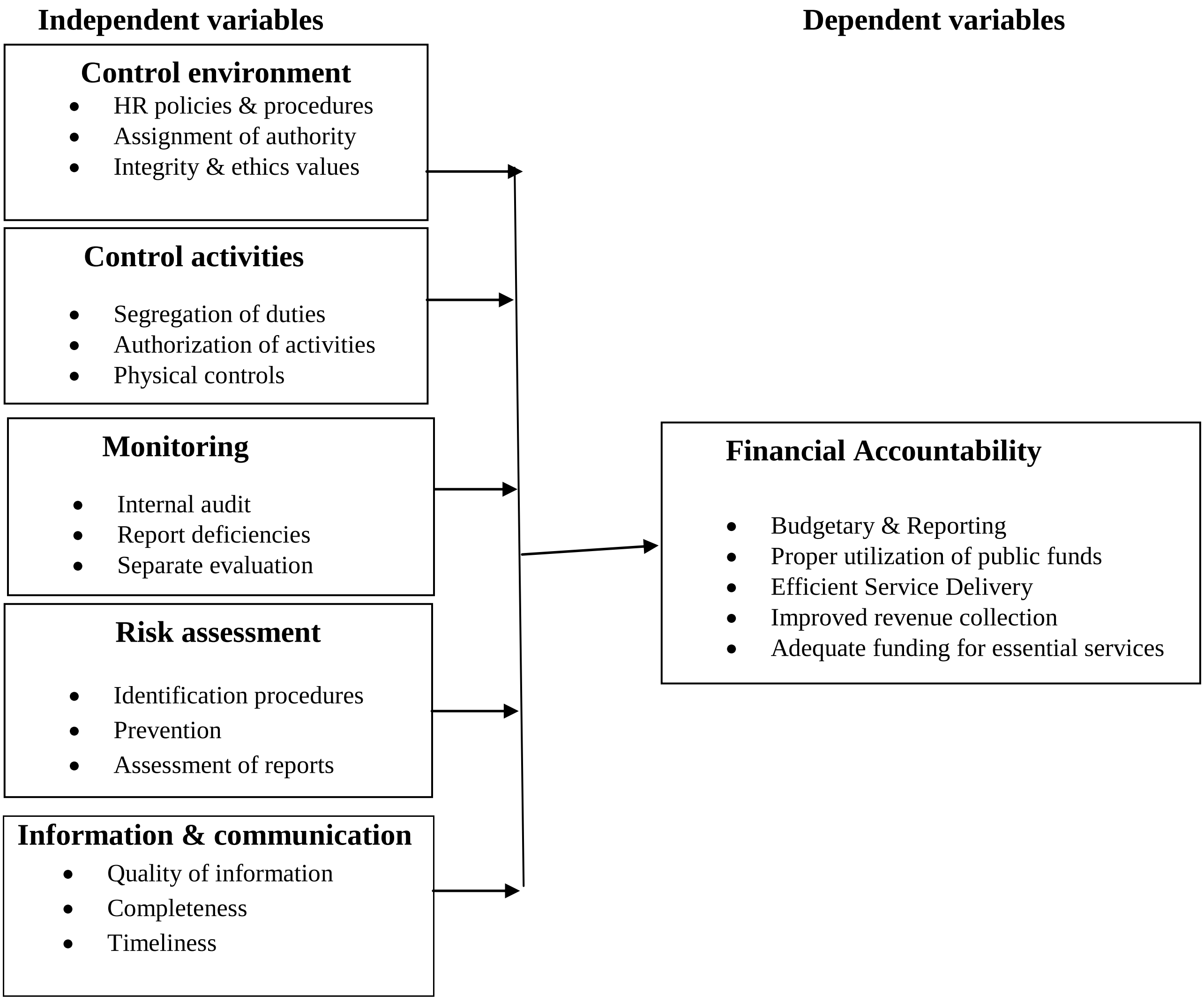

Figure 2.1: The Conceptual Model

Source: Researcher (2021)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the methodology adopted in addressing the research objective of the study which was impact of internal control systems on financial accountability. The chapter focused on design, data collection and diagnostic testing.

3.2 Research Design

A descriptive approach was used to examine how internal control mechanisms and financial accountability are linked. This design was appropriate since the nature of the phenomena is of key interest to the researcher (Khan, 2008). It was also sufficient in defining the interrelationships of the phenomena. As per Cooper and Schindler (2008), this design also validly and accurately represented the variables thereby giving sufficient answers to the study questions.

3.3 Population

The population of this study is Marsabit County. The unit of analysis of the study was the 102 county employees in CGM's finance and economic planning department. The accessible population was the 102 county employees; internal audit staff, Finance officers, Accountants, procurement officers, and senior executive officers.

Table 3.1: Study Population

Category	**Frequency**
Accountants	33
Finance officers	29
Procurement officers	28
Internal auditors	12
Total	**102**

Source: Marsabit County Human Resource Department (2021)

3.4 Sample Design

The first stage of this section was the sample size derivation. Sampling is suitable if the research population as a whole cannot be involved. There were 102 workers of the Marsabit County Government, 81 of them was selected using simple random sampling. The research took the sample size formula from Slovin, as indicated.

Slovin's formula

n = N/ [1 + N (e)2]. ……………………………………... Equation 3.1

n = 102/ [1+102 (0.05)2] = 81

Where: n= Sample size N= Total population e= is the margin error of 0.05 based on 95% confidence level.

81 participants were chosen from among the employees from the sample framework of 102 using a stratified, simple random selection method. The research was only conducted among county government employees in the finance and economic planning department. The employees were directly or indirectly responsible for financial accountability and therefore deemed capable of understanding the questions on factors that influence the financial accountability of the county administration.

Table 3.2: Sample Size

	Frequency	Sample size	Percentage
Accountants	33	26	32
Finance officers	29	23	28
Procurement officers	28	22	27
Internal auditors	12	10	13
Total	**102**	**81**	**100**

3.5 Data Collection

The research collected primary data via a structured questionnaire. The structured questionnaire was chosen because it is devoid of partiality and allows respondents sufficient time to provide a thorough response, apart from being appropriate and convenient for a large sample. The questionnaires consisted of closed ended questions. Closed questions were designed in a specified sequence with response options. The questionnaire was divided into 7 sections, that is, background/demographic information and five sections to capture data for each independent variable and a section for the dependent variable.

The questionnaires were sent to respondents who are the finance officers, Procurement officers, Accountants, auditors, and revenue officers. The researcher asked the competent authorities for permission to perform the study. Data gathering entailed sending the questionnaire through Google forms to employees in the four Sub-counties of Marsabit County. The researcher gave respondents three weeks to answer the questionnaires.

3.6 Diagnostic Tests

In order to determine the viability of the study, diagnostic tests were carried out namely, normality test, homogeneity of variance test, multicollinearity test and the autocorrelation test. Normality test was used to find out if a statistic set is competently designed by a Gaussian distribution to assess how foreseeable it is for an incidental changeable lurking the facts hassled to be normally dispersed. This was decided using Shapiro Wilk test. If a variable was not normally distributed it was converted using logarithmic method. Homogeneity of variance test was gauged using Levene test. If it happens that the test of homogeneity stalls the study robust standard error was used.

Multicollinearity as well as collinearity test is a situation in which one regressor variable in a multiple regression prototype might be forecasted linearly in distinction to others with a notable degree of precision. It was measured using Variance Inflation Factors (VIF) where the numerical value in decimal form for VIF informs you what portion the variance (i.e. the standard error squared) is stretched for respective coefficient. VIF of 1 denotes that the explanatory variable is not correlated with auxiliary variable.

Autocorrelation test is arithmetical depiction of the intensity of a likeness amidst a given time series and a diminished report as such over consecutive time periods. It was assessed using Durbin Watson Statistic that has a value between 0 and 4. Where value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. In case the above was breached the study made use of robust standard error in the model.

3.7 Data Analysis

In data analysis, version 24 of SPSS software was used. Tables presented the findings in a quantitative manner. In calculating central trend measures as well as dispersion such as mean as well as standard deviation for every variable descriptive statistics were used. Inferential statistics depend on correlation and regression. The correlation determines the degree of the affiliation between the study variables, and a regression determines cause and effect between the variables. A multivariate regression linearly determined how predictor and dependent variables were connected.

3.7.1 Analytical Model

The relative significance of each explanatory component of financial accountability may be evaluated using multivariate regression technique.

The research used the following multivariate model;

$Y= \alpha+ \beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4 + \beta_5X_5 +\varepsilon.$

Where:

Y was financial accountability measured using likert scale questions

$ß_0$ was the regression constant (parameter of the function)

$ß_1$, $ß_2$, $ß_3$, $ß_4$ and $ß_5$ were the coefficients of independent variables

X_1 was control environment measured using likert scale questions

X_2 was control activities measured using likert scale questions

X_3 was monitoring measured using likert scale questions

X_4 was information and communication measured using likert scale questions

X_5 was risk assessment measured using likert scale questions

έ will be the error term

3.7.2 Tests of Significance

The researcher conducted parametric tests to demonstrate the regression equation's statistical relevance and parameters. In particular, the F- and T-tests were used with 95% certainty. The F- and T-tests were used to determine if the regression equation was statistically meaningful and the statistical importance of various parameters accordingly.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails the study results and interpretation. It includes demographic data as well as general details such as response rate. The part also provides the results of the investigation in relation to the research goals.

4.2 Response Rate

In a study, the response rate is a percentage of the total number of answers received by the number of participants. Depicted in Table 4.1 are the study outcomes.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Returned	68	83.95
Unreturned	13	16.05
Total	**81**	**100**

Source: Field Data (2021)

According to Table 4.1, 81 questionnaires were distributed to CGM's finance and planning department who were chosen as the sample size for the current analysis. A total of 68 of the 81 questionnaires sent out to respondents were filled and returned, resulting in an 83.95 percent rate of response. This is above the recommended level of 50% or more, and it agrees with Sekeran and Bougie (2015), who claimed a research having a 50% or more response rate is appropriate for investigation and conclusion drawing.

4.3 Reliability Test Results

Reliability measures if the instrument measures that which it is required to measure every time it is used. It was determined through the use of Chronbach's alpha which determines the internal consistency of the questionnaire. Data obtained through the questionnaire were imputed into SPPS and Chronbach's alpha for the items in the questionnaire generated. Those items that had a Chronbach's alpha of less than 0.7 which is the threshold would be eliminated from the questionnaire while collecting data for the main study.

Table 4.2: Reliability Test Results

Variables	Cronbach's Alpha	Critical Value	Conclusion
Control environment	0.798	0.7	Reliable
Control activities	0.811	0.7	Reliable
Monitoring	0.806	0.7	Reliable
ICT systems	0.799	0.7	Reliable
Risk assessment	0.804	0.7	Reliable
Financial accountability	0.823	0.7	Reliable

Source: Field Data (2021)

All variables were higher than 0.7 Chronbach alpha, as Table 4.2 shows. This indicates that the questionnaire utilized in this study was very coherent internally. Therefore, the questionnaire was reliable in assessing the impact of internal control systems on the financial accountability of Marsabit County.

4.4 Demographic Analysis

This section provides descriptive data about the respondents' demographic characteristics.

4.3.1 Gender of the Respondents

Gender specification was a requirement to the target population. Outcomes demonstrate that male participants' percentage was 54.4% whereas females were 45.6%. The fact that there is no substantial variance in the number of male as well as female employees among the target participants can imply that the Marsabit County embrace gender diversity. Table 4.3 summarizes the findings.

Table 4.3: Gender

Gender	Frequency	Percentage
Male	37	54.4%
Female	31	45.6%
Total	**68**	**100%**

Source: Field Data (2021)

4.4.2 Age of the Respondents

The research tried to ascertain the individuals' age. It is essential to understand the age of respondents, since someone's age may affect their research answer. Table 4.4 displays the results.

Table 4.4: Respondents' Age Composition

Age	Frequency	Percentage
18-25 years	4	5.88%
26-35 years	21	30.88%
36-45 years	29	42.65%
Above 45 years	14	20.59%
Total	**68**	**100%**

Source: Field Data (2021)

Table 4.4 displays that the highest respondent number (42.65%) were between the ages of 36 and 45, 30.88 percent were between the ages of 26 and 35, 20.59 percent were 45 and above, and the smallest percentage (5.88%) were between the ages of 18 and 25years. According to the findings, CGM's finance and financial planning department staff are relatively young.

4.4.3 Highest Education Level

Specific participants were requested to state their highest level of education. Table 4.5 shows the findings.

Table 4.5: Distribution of Respondents by Highest Level of Education

Education	**Frequency**	**Percentage**
Postgraduate	16	23.53%
Graduate	35	51.47%
Diploma	17	25.00%
Total	**68**	**100%**

Source: Field Data (2021)

The majority of respondents (51.47 percent) had a degree as their highest level of education, while 23.53% had a post graduate qualification. Only 25% had the highest level of education being a diploma. None of the interviewed respondents indicated a different level of education. These findings suggest that Marsabit County employees in the department of finance and planning are relatively well educated as all of them had achieved at least diploma education level. High levels of education are essential in an organization because they enable an organization to comprehend and resolve its problems.

4.4.4 Years with the County

Respondents had worked for their current organization for a variety of years. The amount of time spent with a firm can be used to determine how well they know internal processes, capabilities, or effectiveness.

Table 4.6: Years with the County

Years	**Frequency**	**Percentage**
1-5 years	29	42.65%
6-10 years	32	47.06%
11-15 years	7	10.29%
Above 15 years	0	0%
Total	**68**	**100%**

Source: Field Data (2021)

The results indicated that 47.06% had stayed in their current job for 6-10years, 42.65% for 1-5 years, 10.29% for 11-15 years and 0% for above 15 years.

4.5 Analysis of Study Variables

This section presents descriptive results in percentages, means, as well as standard deviations for every variable under investigation.

4.5.1 Control Environment

The study sought to investigate the degree of control environment in Marsabit County. Control environment is the first stage of internal control systems. Table 4.7 shows the mean and standard for control environment indicators.

Table 4.7: Descriptive Statistics for Control Environment

Statements	N	Mean	Std. Dev
Our county government has modern and sufficient infrastructure systems for financial accountability	68	4.24	0.55
Our finance department is composed individuals who have accounting skills.	68	4.21	0.73
Executive’s policy has a positive role in enhancing financial accountability	68	4.03	0.63
Employees are scrutinized for integrity and good conduct before employing into county government	68	3.55	0.86
The ethical behaviors and integrity of the Executive enhances financial accountability	68	4.45	0.50
The county government has a working and documented policy which is adhered to.	68	4.33	0.53
Major activities in the County are governed by rules and procedures that have been formalized.	68	4.03	0.63
All activities are conducted in accordance with the policies and processes for obtaining authorizations that have been established.	68	4.21	0.65
Our county government has modern and sufficient infrastructure systems for financial accountability	68	4.24	0.60
Overall mean Score	**68**	**4.14**	

Source: Field Data (2021)

The results revealing that most of the participants concurred that ethical behaviors and integrity of the Executive enhances financial accountability (Mean=4.45, std. dev=0.5). The findings further revealed that the county government has a working and documented policy which is adhered to (Mean=4.33, std. dev=0.53). Respondents further agreed that the county government has modern and sufficient infrastructure systems for financial accountability (Mean=4.24, std. dev=0.55). Additionally, findings discovered that the finance department is composed individuals who have accounting skills (Mean= 4.21, std. dev=0.73). The findings, furthermore, showed that major activities in the County are governed by rules and procedures that have been formalized (Mean=4.03, std. dev=0.63). Lastly, the findings revealed that employees are scrutinized for integrity and good conduct before employing into county government (Mean=3.55std dev=0.86). The overall mean was 4.14 implying that control environment is being practiced in Marsabit County to a great extent.

4.5.2 Control Activities

The research sought to establish the extent of control activities in Marsabit County. Table 4.8 shows the mean and standard for control activities indicators. The findings showed that there is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff (Mean=4.0, std. dev=0.55). The findings further noted that it is conceivable for a single employee to gain access to all sensitive material without the Executive's permission (Mean=3.97, std. dev=0.58). Similarly, findings showed that the segregation of duties has a role in enhancing financial accountability (Mean=3.91, std. dev=0.67).

The findings further showed that controls have been put in place to prevent expenditures from exceeding the amounts that have been set aside for them (Mean=3.85, std dev=0.78). Furthermore, findings showed that budget reviews assist in enhancing financial accountability in county (Mean=3.82, std. dev=0.80). Finally, findings showed that authorization assists in promoting financial accountability

(Mean=3.82, std. dev=0.83). The overall mean was 3.88 indicating that on average, Marsabit County practice control activities to a great extent.

Table 4.8: Descriptive Statistics for Control Activities

Statements	**N**	**Mean**	**Std. Dev**
There is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff	68	4.00	0.55
Segregation of duties has a role in enhancing financial accountability	68	3.91	0.67
Budget reviews assist in enhancing financial accountability in county	68	3.82	0.80
Controls have been put in place to prevent expenditures from exceeding the amounts that have been set aside for them.	68	3.85	0.78
It is conceivable for a single employee to gain access to all sensitive material without the Executive's permission.	68	3.97	0.58
Authorization assists in promoting financial accountability.	68	3.82	0.83
Proper verification before and after incurring any expenditure is strictly adhered to.	68	3.85	0.80
The county enforce clear authorization and approval procedures	68	3.82	0.80
On a routine basis, records are reconciled to ensure accuracy.	68	3.97	0.76
Verification and reconciliation of records play a role in financial accountability	68	3.80	0.65
Overall Mean Score	**68**	**3.88**	

Source: Field Data (2021)

4.5.3 Monitoring

The research sought to establish the extent of monitoring in Marsabit County. Table 4.9 displays the mean as well as standard for monitoring indicators. The findings showed that the executive verifies all financial permissions and keeps track of how money are being used (Mean=4.42, std. dev=0.55). The findings also discovered that reviewing audit findings on a timely basis may help to improve financial accountability (Mean=4.33, std. dev=0.68). The findings also show that internal audit staff conduct regular audit activities concerning revenue collection (Mean=4.21, std. dev=0.69). Additionally, findings revealed that periodically, internal evaluations are performed to ensure that internal controls are being properly implemented (Mean=4.03, std. dev=0.63). Further, findings shown that officers from office of the auditor general visit the county frequently (Mean=4.03, std. dev=0.52). The overall mean was 4.20 suggesting that monitoring in Marsabit County is practiced to a great extent.

Table 4.9: Descriptive Statistics for Monitoring

Statements	N	Mean	Std. Dev
Internal audit staff conduct regular audit activities concerning revenue collection	68	4.21	0.69
Periodically, internal evaluations are performed to ensure that internal controls are being properly implemented.	68	4.03	0.63
Officers from office of the auditor general visit the county frequently	68	4.03	0.52
The executive verifies all financial permissions and keeps track of how money are being used.	68	4.42	0.55
Reviewing audit findings on a timely basis may help to improve financial accountability.	68	4.33	0.68
Internal control reviews are performed on a regular basis.	68	4.21	0.75
The executive carefully monitors the deployment of revenue performance internal control mechanisms.	68	4.03	0.64
Internal audits are conducted on a regular basis and with impartiality, which defines the degree of financial accountability.	68	4.03	0.62
There is regular comparison of actual with budgeted expenditure.	68	4.42	0.70
The executive verifies all financial permissions and keeps track of how money are being used	68	4.33	0.64
Overall Mean Score	**68**	**4.20**	

Source: Field Data (2021)

4.5.4 Information and Communication Systems

The research sought to establish the extent of ICT systems in Marsabit County. ICT system is the fourth stage of internal control systems. Table 4.10 shows the mean and standard for ICT systems indicators.

Table 4.10: Descriptive Statistics for ICT systems

Statements	N	Mean	Std. Dev
Internal control goals are better understood and supported when communication is effective.	68	4.21	0.73
Performance risk and the role of internal control are understood and communicated to all workers, who are kept up to date.	68	4.03	0.63
It is the responsibility of the executive to ensure that accurate and reliable information is provided to all stakeholder in the county	68	3.55	0.86
All stakeholders in the county are informed about issues that may have an impact on the accomplishment of financial goals.	68	4.45	0.50
Identification, collection, and distribution of relevant information are completed in a manner and timescale that facilitates accomplishment of financial reporting goals.	68	4.33	0.53
Financial and budgets reports provide a realistic and fair picture of the county's financial situation.	68	4.25	0.75
Budgets for individual departments are given sufficient time for examination and verification	68	3.98	0.67
Involvement and consultation with all relevant departments are essential parts of the budget-making process.	68	4.08	0.55
Budget implementation reports are returned to the appropriate departments in a reasonable amount of time	68	4.05	0.62
A report on financial statements is presented to and debated by the executive team	68	4.12	0.78
Overall mean Score	**68**	**4.11**	

Source: Field Data (2021)

The findings revealed that all stakeholders in the county are informed about issues that may have an impact on the accomplishment of financial goals (Mean=4.45, std. dev=0.5). The findings further revealed that identification, collection, and distribution of relevant information are completed in a manner and timescale that facilitates accomplishment of financial reporting goals (Mean=4.33, std. dev=0.53). The findings also revealed that financial and budgets reports provide a realistic and fair picture of the county's financial situation (Mean=4.25, std. dev= 0.75). Additionally, findings discovered that internal control goals are better understood and supported when communication is effective (Mean= 4.21, std. dev=0.73).

The descriptive results also revealed that performance risk and the role of internal control are understood and communicated to all workers, who are kept up to date (Mean=4.03, std. dev=0.63) whereas budgets for individual departments are given sufficient time for examination and verification (Mean=3.98, std. dev=0.67). Lastly, the findings revealed that it is the responsibility of the executive to ensure that accurate and reliable information is provided to all stakeholder in the county (Mean=3.55, std dev=0.86). On average, the results revealed that Marsabit County has adopted ICT systems to a greater degree as average mean of 4.11.

4.5.5 Risk Assessment

Table 4.11 shows the mean as well as standard deviation for the specific features of risk assessment.

Table 4.11: Descriptive Statistics for Risk Assessment

Statement	N	Mean	Std. Dev
The county executive analyzes risks that may jeopardize the accomplishment of the established goals.	68	3.45	0.67
It is determined which fraud-related risk to the county are the most serious based on criteria established by the county.	68	3.53	0.72
Identification of risk plays a role in enhancing accountability	68	3.36	0.66
In order to mitigate the significant risks that may arise as a consequence of fraud, measures have been put in place.	68	3.51	0.60
The county security system identifies and safeguards institutional Assets	68	3.31	0.72
All risk-prone activities such as handling cash are closely monitored to minimize risk	68	3.71	0.73
There are regular assessments and modifications of risk mitigation techniques.	68	3.31	0.58
Prevention, control and management of risk affect financial accountability	68	3.39	0.81
Sound and acceptable accounting procedures are adhered to in the county	68	4.16	0.65

Average	**50**	**3.53**

Source: Field Data (2021)

The findings revealed that most of the respondents concurred that sound and acceptable accounting procedures are adhered to in the county (Mean=4.16, std. dev=0.65). The findings further revealed that there was agreement by the respondents that all risk-prone activities such as handling cash are closely monitored to minimize risk (Mean=3.71, std. dev=0.73). The findings also revealed that it is determined which fraud-related risk to the county are the most serious based on criteria established by the county (Mean=3.53, std. dev= 0.72). Additionally, findings discovered that majority of the respondents agreed that in order to mitigate the significant risks that may arise as a consequence of fraud, measures have been put in place (Mean= 3.51, std. dev=0.60). The descriptive results also revealed that the county executive analyzes risks that may jeopardize the accomplishment of the established goals (Mean=3.45, std. dev=0.67). The findings, furthermore, showed that most respondents agreed on the statement that prevention, control and management of risk affect financial accountability (Mean=3.39, std. dev=0.81) and that the identification of risk plays a role in enhancing accountability (Mean=3.36, std. dev=0.66). Lastly, the findings revealed that most respondents concurred that the county security system identifies and safeguards institutional assets (Mean=3.31, std dev=0.72) and that there are regular assessments and modifications of risk mitigation techniques (Mean=3.31, std dev=0.58). On average, the results revealed that Marsabit County has adopted risk assessment to a great extent as shown by an average mean of 3.53.

4.5.6 Financial Accountability

The mean as well as standard deviation for precise attributes of financial accountability are as indicated in Table 4.12.

Table 4.12: Descriptive Statistics for Financial Accountability

Statements	**N**	**Mean**	**Std. Dev**
This county prepares regular financial reports for the benefit of stakeholders	68	4.24	0.64
This county's annual financial reports demonstrate financial accountability and stewardship	68	4.08	0.55
The annual financial statements of this county show a clear picture of the resources entrusted to them and how they have been used during the year	68	4.00	0.55
The management of this county periodically prepares income and expenditure statements	68	3.91	0.67
The management of this county regularly produces cash flow statements to show the organization's projected cash inflows and outflows	68	3.82	0.80
In their reporting to stakeholders the management of this county supplements the financial reports with other non-financial reports	68	3.85	0.78
The staff of the county submits reports for business advances in a timely manner.	68	3.82	0.83
There have not been many queries about the financial reports prepared by this county	68	3.83	0.81
Overall Mean Score	**68**	**3.94**	

Source: Field Data (2021)

The findings showed that the county prepares regular financial reports for the benefit of stakeholders (Mean=4.24, std. dev=0.64). Similarly, findings showed that the county's annual financial reports demonstrate financial accountability and stewardship (Mean=4.08, std. dev=0.55). The outcomes also showed that the annual financial statements of this county show a clear picture of the resources entrusted to them and how they have been used during the year (Mean=4.0, std. dev=0.55).

The conclusions further noted that the management of this county periodically prepares income and expenditure statements (Mean=3.91, std. dev=0.67). The conclusions further shown that in their reporting to stakeholders the management of this county supplements the financial reports with other non-financial reports (Mean=3.85, std dev=0.78). Furthermore, the management of the county regularly produces cash flow statements to show the organization's projected cash inflows and outflows (Mean=3.82, std. dev=0.80). Finally, the staff of the county submits reports for business advances in a timely manner (Mean=3.82, std. dev=0.83). The overall mean was 3.94 implying that an average, Marsabit County is financially accountable to a great magnitude.

4.6 Inferential Statistics

This section contains the inferential statistics for all of the variables. Pearson correlations and multiple regressions were used as inferential statistics. All of the variables were correlated using Pearson correlations, and the connection between the internal control systems in Marsabit County and financial accountability was examined using regression.

4.6.1 Correlation Analysis

The Pearson correlation illustrates the connection between each of the indicated independent factors and the result/related variable. The coefficient r was determined and whether the connection was positive or negative. Table 4.13 displays the findings.

Table 4.13: Correlation Results

	Financial accountability	
	Pearson 's correlation	P
Control environment	0.363	0.000
Control activities	0.598	0.000
Monitoring	0.761	0.000
ICT systems	0.568	0.000
Risk assessment	0.544	0.000

Source: Field Data (2021)

According to Pearson coefficients and P-values, the connection between control environment and financial accountability is positive as well as significant ($r=0.363$, $p<0.05$). This is an indication that control environment leads to improved financial accountability. The correlation findings too show a moderate and significant association between financial accountability and control activities as revealed by a 0.598 Pearson correlation coefficient as well as a 0.000 P-value. This is a sign that better control activities lead to higher financial accountability.

Furthermore, the correlation findings show a strong and significant relationship between financial accountability and monitoring, as shown by a 0.761 Pearson correlation coefficient as well as a 0.000 P-value. This is an indication that a rise in monitoring yields an increase in financial accountability. Further, the correlation findings reveal a significant connection between ICT systems and financial accountability, as shown by a 0.568 Pearson correlation and a 0.000 P value. This is an indication that improvement in ICT systems is linked to an increase in financial accountability. Finally, the correlation findings reveal a significant connection between risk assessment and financial accountability, as shown by a 0.544 Pearson correlation and a 0.000 P value. This is an indication that improvement in risk assessment is linked to an increase in financial accountability.

4.6.2 Regression Analysis

The impact of each of the five chosen predictor variables on financial accountability, as shown in table 4.14, 4.15 and 4.16, was utilized for multiple linear regression analyzes.

Table 4.14: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.662	.634	.471712

a. Predictors: (Constant), Risk Assessment, Control Environment, Control Activities, ICT system, Monitoring

Source: Field Data (2021)

The R square of 0.662 in Table 4.14 shows that control environment, control activities, monitoring, ICT systems and risk assessment in Marsabit County account for 66.2%, while the other 33.8% is explained by elements not included in this study. The R value of 0.813 indicates a significant connection between financial accountability and the predictor factors in Marsabit County (control environment, control activities, monitoring, ICT systems and risk assessment).

Table 4.15: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.974	5	5.395	24.245	.000[b]
	Residual	13.796	62	.223		
	Total	40.769	67			

a. Dependent Variable: Financial accountability

b. Predictors: (Constant), Risk Assessment, Control Environment, Control Activities, ICT system, Monitoring

Source: Field Data (2021)

The whole model is statistically significant, as evidenced by a F value of 24.245 and a 0.000 p value in Table 4.15.

The extent of the impact of control environment, control activities, monitoring, ICT systems and risk assessment on financial accountability is demonstrated by regression coefficient results.

Table 4.16: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.872	1.446		-7.753	.000
	Control environment	.185	.191	.176	2.014	.047
	Control activities	.392	.260	.368	4.976	.000
	Monitoring	.724	.238	.974	7.235	.000
	ICT systems	.593	.174	.524	5.406	.001
	Risk assessment	.246	.111	.246	2.217	.030

a. Dependent Variable: Financial accountability

Source: Field Data (2021)

The multiple regression model used is illustrated below:

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon,}$

Where,

Y denoted financial accountability

β_0 denoted the constant

X_1 represented control environment

X_2 represented control activities

X_3 denoted monitoring

X_4 denoted ICT systems

X_5 denoted risk assessment

ε was the error term when there was assumed normal distribution

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ denote independent variable coefficients

The regression model was substituted as below.

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon,}$

$\mathbf{Y = -0.872 + 0.185X_1 + 0.392X_2 + 0.724X_3 + 0.593X_4 + 0.246X_5}$

Interpretatively, a unit change in control environment, control activities, monitoring, ICT systems and risk assessment will lead to a 0.185, 0.392, 0.724, 0.593 and 0.246 change in financial accountability in Marsabit County respectively, whereas variables that were not part of this research remained unchanged. The five factors included in this research were critical for improving Marsabit County's financial accountability. It is evident that the most essential element is monitoring (β_3=0.724) while the least important was control environment (β_1=0.185). It was also shown that if the five variables chosen for this research were held constant, financial accountability would still be significant but negative (β = -0.872, $p < 0.05$). This implies that management and policy makers should ensure they enhance control activities,control environment, monitoring, ICT systems as well as risk assessment as this will improve financial accountability.

4.7 Discussion of Findings

The primary research objective was to evaluate the effect of internal control systems on financial accountability in Marsabit County. Likert scale questions were used to represent financial accountability, which was a dependent variable. Control environment, control activities, monitoring, ICT systems and risk assessment were the independent variables. Descriptive research design was applied. 81 employees in the department of finance and financial planning comprised the study sample. Descriptive and inferential analyses were conducted.

The descriptive results revealed that Marsabit County practice internal control system to a great extent. The correlation results revealed that the connection between control environment and financial accountability is positive as well as significant. The correlation findings too show a moderate and significant association between financial accountability and control activities. Furthermore, the correlation findings show a strong and significant relationship between financial accountability and monitoring and a significant connection between ICT systems and financial accountability. Finally, the correlation findings reveal a significant connection between risk assessment and financial accountability.

The regression results revealed that the five factors included in this research were critical for improving Marsabit County's financial accountability. It is evident that the most essential element is monitoring while the least important was control environment. It was also shown that if the five variables chosen for this research were held constant, financial accountability would still be significant but negative. This implies that management and policy makers should ensure they enhance control activities,control environment, monitoring, ICT systems as well as risk assessment as this will improve financial accountability

The results of the research showed presence of positive and substantial association between control environment and financial accountability. This is a sign that control environment leads to improved financial accountability. This study finding concurs with Widyaningsih (2015) who examined the effect on Bandung, Indonesia's primary schools' financial accountability, of the internal control environment. Path investigations were conducted to assess the effect on internal control of financial accountability. The results show that control environments, risk assessments, controls, information, communication and monitoring concurrently have a substantial impact on financial accountability.

The findings also show a moderate, favorable and significant connection between financial accountability and control activities. This is an indication that improved control activities leads to increased financial accountability in Marsabit County. These findings support a study by Eniola and Akinselure (2016) who studied the link between financial success and internal controls in Nigeria. The study utilized the survey's research design. The primary data gathered via a questionnaire were given to five production companies in Kenya using a sample of 150 questionnaires. Data collected was tabulated on multiple regression analysis and analyzed through SPSS. Research has shown that the link between internal controls and corporate fraud is significantly adverse.

Moreover, the results of the correlation indicate a strong, positive and substantial connection between financial accountability and monitoring. This shows that increased monitoring leads to an increase in financial accountability. These findings corroborate with a research of the function of the internal control systems in supporting Uganda's financial accountability undertaken by Marus, Murezi, Mwosi and Ogwel (2018). Research has demonstrated that internal control environments have a good financial accountability connection. The study proposed that policymakers and other interest groups should not interfere with the utilization of public money. They should instead oversee and monitor government initiatives for the benefit of the people.

In addition, the correlation findings reveal a positive connection between ICT systems and financial accountability. This indicates that an improved ICT system is related to an increase in financial accountability. This finding is in accordance with Zauwiyah and Mariati (2016) who investigated control, worker fraud and counterproductive workplace behavior. Data were collected via an auto-administered questionnaire survey. The analysis comprised of frequency analysis, factor analysis, and regression. The findings point out that the control environment had more influence on organizational members' behaviors than predominant codes of conduct and that fraud and manipulation were a consequence of the frail control environment. They thus support the need for an information system in an organization that can identify fraudulent conduct and also promote a correct management environment that can prevent misleading acts.

Finally, the correlation findings reveal a positive connection between risk assessment and financial accountability. This indicates that an improved risk assessment is related to an increase in financial accountability. This is in agreement with Mogunde (2016) who investigated the connection between the internal control of cement companies and their financial performance in Kenya. The research population was seven cement companies, however four companies were chosen for study purposes. The design of the study was survey research. The research showed that the internal control factors relate positively to the financial performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research findings are provided for the study in this chapter. The section also covers conclusions of the study and recommendations. This part also includes the consequences and recommendations of the future study.

5.2 Summary

The primary research objective was to evaluate the effect of internal control systems on financial accountability in Marsabit County. The research was backed by three theories: namely; agency theory, attribution theory and accountability theory. Likert scale questions were used to represent financial accountability, which was a dependent variable. Control environment, control activities, monitoring, ICT systems and risk assessment were the independent variables. Descriptive research design was applied. 81 employees in the department of finance and financial planning comprised the study sample. Descriptive and inferential analyses were conducted. The findings are discussed in this section in line with research objectives.

The first objective of this research was to evaluate the effect of control environment on financial accountability in Marsabit County. The results revealed that Marsabit County practice control environment to a large degree. The correlation outcomes exhibited a positive as well as significant connection between control environment and financial accountability. The findings of the regression showed that a unit change in control environment would have a significant positive effect on financial accountability.

The second objective was to evaluate the effect of control activities on financial accountability in Marsabit County. The descriptive analysis revealed that Marsabit County practice control activities to a great extent. The link between control activities and financial accountability was studied using correlation analyzes and the findings showed that the two variables were positively and significantly related. Regression results revealed that an increase in control activities resulted in improved financial accountability. This shows the significant effect of control activities on financial accountability in Marsabit County.

The third objective of this study was to determine the effect of monitoring on financial accountability in Marsabit County. The descriptive findings show that S Marsabit County practice monitoring to a great extent. The findings of a correlation research showed a strong and significant connection between monitoring and financial accountability. The findings of the regression analyzes revealed a significant positive effect of monitoring on financial accountability. The results indicate that an increase in monitoring leads to an increase in financial accountability.

The study's fourth goal was to assess how ICT systems in Marsabit County influenced financial accountability. The results of the descriptive analysis revealed that Marsabit County utilizes ICT systems to a large extent. ICT systems have a connection with financial accountability, according to the correlation analysis. The relationship was also moderate and statistically significant. Regression analysis reveals a positive and significant effect of ICT systems on financial accountability. Marsabit County financial accountability increases as a result of an increase in use of ICT systems.

The study's fifth goal was to assess how risk assessment in Marsabit County influenced financial accountability. The results of the descriptive analysis revealed that Marsabit County utilizes risk assessment to a large extent. Risk assessment has a connection with financial accountability, according to the correlation analysis. The relationship was also moderate and statistically significant. Regression analysis reveals a positive and significant effect of risk assessment on financial accountability. Marsabit County financial accountability increases as a result of an increase in risk assessment.

5.3 Conclusions

From the results of this research, it can be stated that control environment has a favorable effect on financial accountability in Marsabit County. According to the results of regression and correlation there is a favorable connection between control environment and financial accountability. According to the research results, control activities had a positive impact on financial accountability. The research indicates that control activities leads to an increase in financial accountability. The findings are confirmed by regression and correlation analyses, showing a favorable connection between financial accountability and control activities.

The research also indicates that monitoring has a positive impact on financial accountability. Regression and correlated results corroborate the findings that demonstrate a positive connection between the monitoring and financial accountability. The research also found that ICT systems have a favorable effect on financial accountability. The results of correlation and regression show a strong positive relationship between ICT systems and financial accountability. The study also found that risk assessment has a favorable effect on financial accountability. The study concludes that there is a strong positive relationship between risk assessment and financial accountability.

5.4 Recommendations for Policy and Practice

The results show that the practice of control environment has a beneficial impact on the financial accountability. The research recommends the need for Counties to practice control environment activities on a continuous basis as this will go miles in guaranteeing they are financially accountable. Policy makers such as governments and other bodies such as Office of the Auditor General and controller of budgets should come up with trainings and policies on how control environment should be conducted.

According to the findings, control activities had a positive effect on financial accountability. The study recommends that there is necessity for Counties to develop effective strategies as this will contribute to their ability to be financially accountable. Policy makers should come up with policy manuals guiding Counties on how control activities should be conducted.

Financial accountability in Marsabit County was positively influenced by monitoring, according to the findings of this study. Counties ought to allocate adequate resources towards monitoring as this will boost their financial accountability. The Counties should also hire qualified and competent employees who will be able to successfully implement the formulated monitoring strategies.

Financial accountability was positively influenced by ICT systems, according to the study findings. Marsabit County and other counties in general ought to review their ICT systems on a continuous basis as this will help make informed decisions such as taking corrective measures if the system is not being implemented as planned. By doing this, financial accountability will be enhanced as ICT systems has been found to be a significant factor influencing financial accountability.

Financial accountability in Marsabit County was positively influenced by risk assessment, according to the findings of this study. Counties ought to allocate adequate resources towards risk assessment as this will boost their financial accountability. The Counties should also hire qualified and competent employees who will be able to successfully implement the formulated risk assessment strategies.

5.5 Limitations of the Study

Primary data was utilized in this study. To minimize the number of likely outliers, a structured questionnaire was used in the research. This may, however, pose the issue of biased data collecting because the respondents in question are restricted in how and how much they should provide. In this respect, the researcher made sure that the data collecting instrument enables complete data gathering which meets study aims as easily as feasible.

In addition, several of the respondents were skeptical about participating in the research. The researcher rectified this issue by obtaining required permission, authorization and permissions from the authorities concerned, including but not limited to the County and the University. In addition, ethical concerns were taken into account. Finally, the researcher stated willingness to share the study with interested participants.

The focus was on some of the characteristics that are thought to influence financial accountability in Marsabit County. The research centered on five explanatory variables in particular. Nevertheless, there are additional factors that are expected to influence the financial accountability of Counties. Some are external such as political interference, whereas some are internal, like corporate governance, culture, process improvements, as well as top management support.

5.6 Suggestions for Further Research

The R^2 showed a variation of 66.2% which implies that other variables not considered in this study explains 33.8% of changes in financial accountability. As a consequence, future study may concentrate on other variables that are likely to influence financial accountability such as costs and awareness. Policymakers would be able to devise and firmly implement an effective apparatus to improve financial accountability by determining how each of the factor influences financial accountability.

The research aimed to identify factors that influence financial accountability in Marsabit County. Similar investigations may be carried out in other counties. A cross-sectional research may also be performed for comparative reasons among many firms in a certain industry or across sectors.

Finally, this research relied on a multiple linear regression model, which has its own set of drawbacks, such as errors and misleading results when a variable is changed. Future academics should investigate the many relationships between internal control systems and financial accountability using models like the Vector Error Correction Model (VECM).

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APPENDICES

Appendix I: Introduction Letter

Galgallo G. Diba

University of Nairobi.

P.O. Box 30197 - 00100 NAIROBI, KENYA.

Email: galgallodiba@students.uonbi.ac.ke

RE: REQUEST FOR RESEARCH DATA.

Dear Respondent,

I am a student at the University of Nairobi, where I am pursuing a Master of Science (Finance) degree. To the extent that it contributes to the completion of the criteria for the Master of Science (Finance) degree, I am to carrying out a study on "***Impact of internal controls systems on financial accountability in County Governments in Kenya, a case study of Marsabit County".***

You were chosen to be one of those who provided the required information for this research. You are thus welcome to help by giving us the chance to complete the accompanying questionnaire at your leisure when you are called for an appointment.

The information given is very private and is for academic purposes only.

Your participation and help is greatly appreciated.

I appreciate you for your collaboration in advance.

Yours faithfully,

Galgallo Diba

Master of Science Student

University of Nairobi.

Appendix II: Questionnaire

This questionnaire will be used to gather information for academic reasons. The researcher will carry out a study to establish the impact of internal control environments on financial accountability in Marsabit County. Please answer the questions objectively and truthfully as possible. Fill out the questionnaire without providing any personal information. **Information provided will be highly confidential**.

Fill in the blanks or choose the appropriate option for each question as indicated.

Section A: Respondents profile

1. Gender Male [ ] Female [ ]
2. Age (Years) 18-25 [ ] 26-35 [ ] 36-45 [ ] Over 45 [ ]
3. Education Post graduate [ ] Graduate [ ] Diploma [ ] Certificate [ ] KCSE [ ]
4. Work Experience 1-5 years [ ] 5-10 years [10-15 years. [ ] Over 15 years [ ]

SECTION B: CONTROL ENVIRONMENT

To what extent can Control Environment affect Financial Accountability in the county?

Very great extent [ ] Great extent [ ] Moderate extent [ ] Low extent [ ] No extent [ ]

Using the following Table, please tick the level with which you agree or disagree with the following statements which best describe System automation of revenue collection in your organization

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
Our county government has modern and sufficient infrastructure systems for financial accountability					
Our finance department is composed individuals who have accounting skills.					
Executive's policy has a positive role in enhancing financial accountability					
Employees are scrutinized for integrity and good conduct before employing into county government					
The ethical behaviors and integrity of the Executive enhances financial accountability					
The county government has a working and documented policy which is adhered to.					
Major activities in the County are governed by rules and procedures that have been formalized.					
All activities are conducted in accordance with the policies and processes for obtaining authorizations that have been established.					

SECTION C: CONTROL ACTIVITIES

To what extent do control activities affect financial accountability in the county?

Very great extent [ ]   Great extent [ ] Moderate extent [ ]   Low extent [ ]   No extent [ ]

Using the following Table, please tick the level with which you agree or disagree with the following statements in the accompanying table below;

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
There is segregation of duties such that authorizing, processing, recording and reviewing are done by different staff					
Segregation of duties has a role in enhancing financial accountability					
Budget reviews assist in enhancing financial accountability in county					
Controls have been put in place to prevent expenditures from exceeding the amounts that have been set aside for them.					
It is conceivable for a single employee to gain access to all sensitive material without the Executive's permission.					
Authorization assists in promoting financial accountability.					
Proper verification before and after incurring any expenditure is strictly adhered to.					
The County enforce clear authorization and approval procedures					
On a routine basis, records are reconciled to ensure accuracy.					
Verification and reconciliation of records play a role in financial accountability					

SECTION D: MONITORING

To what extent can Monitoring affect financial accountability in the county

Very great extent [ ]   Great extent [ ] Moderate extent [ ]   Low extent [ ]   No extent [ ]

Please indicate your degree of agreement or disagreement with the following assertions using the options in the accompanying table. Internal controls are defined as follows:

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
Internal audit staff conduct regular audit activities concerning revenue collection					
Periodically, internal evaluations are performed to ensure that internal controls are being properly implemented.					
Officers from office of the auditor general visit the county frequently					
The executive verifies all financial permissions and keeps track of how money are being used.					
Reviewing audit findings on a timely basis may help to improve financial accountability.					
Internal control reviews are performed on a regular basis.					
The executive carefully monitors the deployment of revenue performance					

internal control mechanisms.					
Internal audits are conducted on a regular basis and with impartiality, which defines the degree of financial accountability.					
There is regular comparison of actual with budgeted expenditure.					
The executive verifies all financial permissions and keeps track of how money are being used					

SECTION E: INFORMATION AND COMMUNICATION SYSTEM

To what extent can Information and Communication System affect financial accountability in the county

Very great extent [ ] Great extent [ ] Moderate extent [ ] Low extent [ ] No extent [ ]

Please indicate your degree of agreement or disagreement with the following assertions using the choices in the accompanying table. Internal controls are defined as follows:

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
Internal control goals are better understood and supported when communication is effective.					
Performance risk and the role of internal control are understood and communicated to all workers, who are kept up to date.					

It is the responsibility of the executive to ensure that accurate and reliable information is provided to all stakeholder in the county					
All stakeholders in the county are informed about issues that may have an impact on the accomplishment of financial goals.					
Identification, collection, and distribution of relevant information are completed in a manner and timescale that facilitates accomplishment of financial reporting goals.					
Financial and budgets reports provide a realistic and fair picture of the county's financial situation.					
Budgets for individual departments are given sufficient time for examination and verification					
Involvement and consultation with all relevant departments are essential parts of the budget-making process.					
Budget implementation reports are returned to the appropriate departments in a reasonable amount of time					
A report on financial statements is presented to and debated by the executive team					

SECTION F: RISK ASSESSMENT

To what extent can Risk assessment affect financial accountability in the county

Very great extent [ ] Great extent [ ] Moderate extent [ ] Low extent [ ] No extent [ ]

Please indicate your degree of agreement or disagreement with the following assertions using the choices in the accompanying table. Internal controls are defined as follows:

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
The county executive analyzes risks that may jeopardize the accomplishment of the established goals.					
It is determined which fraud-related risk to the county are the most serious based on criteria established by the county.					
Identification of risk plays a role in enhancing accountability					
In order to mitigate the significant risks that may arise as a consequence of fraud, measures have been put in place.					
The county security system identifies and safeguards institutional Assets					
All risk-prone activities such as handling cash are closely monitored to minimize risk					
There are regular assessments and modifications of risk mitigation techniques.					
Prevention, control and management of risk affect financial accountability					
Sound and acceptable accounting procedures are adhered to in the county					

SECTION G: FINANCIAL ACCOUNTABILITY

Please indicate your degree of agreement or disagreement with the following assertions using the choices in the accompanying table. Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Statement	**5**	**4**	**3**	**2**	**1**
This county prepares regular financial reports for the benefit of stakeholders					
This county's annual financial reports demonstrate financial accountability and stewardship					
The annual financial statements of this county show a clear picture of the resources entrusted to them and how they have been used during the year					
The management of this county periodically prepares income and expenditure statements					
The management of this county regularly produces cash flow statements to show the organization's projected cash inflows and outflows					
In their reporting to stakeholders the management of this county supplements the financial reports with other non-financial reports					
The staff of the county submits reports for business advances in a timely manner.					
There have not been many queries about the financial reports prepared by this county					

________________THANK YOU_____________

Appendix III: Statistical Outputs

	Financial accountability	
	Pearson 's correlation	P
Control environment	0.363	0.000
Control activities	0.598	0.000
Monitoring	0.761	0.000
ICT systems	0.568	0.000
Risk assessment	0.544	0.000

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.662	.634	.471712

a. Predictors: (Constant), Risk Assessment, Control Environment, Control Activities, ICT system, Monitoring

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26.974	5	5.395	24.245	.000[b]
	Residual	13.796	62	.223		
	Total	40.769	67			

a. Dependent Variable: Financial accountability

b. Predictors: (Constant), Risk Assessment, Control Environment, Control Activities, ICT system, Monitoring

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.872	1.446		-7.753	.000
	Control environment	.185	.191	.176	2.014	.047
	Control activities	.392	.260	.368	4.976	.000
	Monitoring	.724	.238	.974	7.235	.000
	ICT systems	.593	.174	.524	5.406	.001
	Risk assessment	.246	.111	.246	2.217	.030

a. Dependent Variable: Financial accountability