EFFECT OF INTERNAL CONTROL PRACTICES ON FINANCIAL PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

NOVEMBER, 2022

DECLARATION

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

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

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ACKNOWLEDGEMENT

This research is a compilation of a meaningful journey characterized by eye opening experiences and discoveries. Firstly, is to thank the God Almighty for continued grace and favor that sustained me though my entire academic journey.

To my supervisor Dr. Kennedy Okiro, I sincerely appreciate his scholarly excellent and effort in enabling me come up with an acceptable quality work. His dedication is not only good for my study but also helpful to my future life and career. Am thankful to my Moderator Dr. Duncan Elly for the insights and timely feedback in various stages while undertaking this research. I appreciate all the respondents of this study who dedicated their time to share valuable data that enabled me accomplish this study.

I am also very grateful to my family for prayers and unlimited support throughout the journey. Thank you for believing in me and unconditional Love.

DEDICATION

This research project is dedicated to my dear parents, Eunice Mati and Charles Mati, whose constant encouragement and holistic support aided completion of this project.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
COSO	Committee of Sponsoring Organization
CSC	Commercial State Corporation
FP	Financial Performance
GOK	Government of Kenya
ICP	Internal Control Practice
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
KNBS	Kenya National Bureau of Statistics
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factors

ABSTRACT

As a corporate governance mechanism, the function of internal control practice 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 performance. The contingency theory, however, maintains that the success of an organization, 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 performance. This study sought to establish the effect of internal control practices on financial performance among commercial state corporations in Kenya. The study was guided by three theories namely; agency theory, accountability theory and attribution theory. A descriptive research design was adopted. The population of the study was the 54 commercial state corporations in Kenya. The study collected both primary and secondary data. The unit of analysis was the head of internal audit in each commercial state corporation. Data analysis involved descriptive, correlation as well as regression analysis. The independent variables for this study were control environment, control activities, monitoring, risk assessment and information and communication systems while the dependent variable was financial performance. The regression results revealed that 63.8% of the variation in financial performance can be attributed to the 5 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting financial performance based on internal control practices. Individually, control environment, control activities, monitoring and risk assessment were found to be significant determiners of financial performance while information and communication system did not have a significant effect. The study recommends the need for policy makers to come with guidelines and policies guiding commercial state corporations on internal control practices. The management of commercial state corporations should hire qualified and competent employees who will be able to successfully implement the formulated risk assessment strategies as this will be a sure way of enhancing financial performance.

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 (Mwachiro, 2013). Goodwin (2014) reported that internal control practices improve financial performance for organizations whether in the public or private sector. Internal control is an important segment of management tool and a process by which an organization ensures that their performance goals are achieved (Gamage Lock & Fernando, 2014). Internal control practices have the capacity and ability of providing a reasonable assurance but not complete assurance in regards to achieving the organization set goals and objectives. Putting up an effective control system enables an entity to operate in an effective manner (Sulaiman, Siraj & Mohamed, 2008). It is difficult for an entity to know if they have full and accurate information when they lack proper internal control practices in place (Ashari & Krismiaji, 2019).

On a theoretical perspective, this study was based on agency theory, attribution theory and accountability theory. Jensen and Meckling (1976) agency theory is the anchor theory as it 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) accountability theory shows how the superficial desire to defend one's conduct against another party reflects and is responsible for the process by which 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 study focused on Commercial State Corporations (CSC) in Kenya; this is because like in most nations, In Kenya, state-owned enterprises are entrusted with providing goods and services such as health, water, and electricity, despite the fact that they frequently suffer enormous losses due to inefficiency in operations and inadequate provision of goods as well as services (Atieno, 2019). This puts an enormous financial strain on the government, amounting to billions of shillings each year. The government has spent billions of Kenya shillings rescuing out CSCs including as Kenya Airways, Mumias Sugar Company, and Uchumi Supermarket, as per the controller of budget reports. Despite the fact that the private sector receives a lot of attention when it comes to internal controls, Mwangi (2018) says that it is a critical instrument in battling corruption, which is the largest problem in these CSCs.

1.1.1 Internal Control Practices

Internal Control Practice (ICP) is defined as a set of policy and procedures, processes enforced by an organization in ensuring that entity operates in appropriate manner in order to control theft, wastes and misuse of economic resources (Mwakimasinde, Odhiambo & Bryaruhanga 2014). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) refers 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 are control environment; activities, monitoring, 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 Performance

Almajali, Alamro, and Al-Soub (2012) describe financial performance as a company's capacity to meet a set of financial objectives, such as profitability. Financial performance can be explained as the extent to which a company's financial benchmarks have been met or exceeded. It demonstrates the extent to which financial objectives are met. Financial performance, as defined by Baba and Nasieku (2016), demonstrates how a company uses assets in revenue generation and so guides stakeholders in their decision-making. According to Nzuve (2016), the health of the banking industry is mostly determined by financial performance, which is a measure of individual banks' strengths and shortcomings. Furthermore, for regulatory considerations, the government and regulatory agencies are interested in how banks perform.

The focus on financial performance is of importance as it majorly touches on items that directly change financial statements or the company’s reports (Omondi & Muturi, 2013). The key method of evaluation used by external stakeholders is the firm's performance (Bonn, 2000). As a result, the performance of the company is employed as a metric. The firm's performance is defined by how well it achieves its goals. The financial performance of a company is the outcome of accomplishing both internal and external goals (Lin, 2008). Growth, competitiveness, and survival are some of the terms used to describe performance (Nyamita, 2014).

Various methods of evaluating financial performance are used and should be harmonized. Asset returns (ROA), size of company, equity returns (ROE) and sales return (ROS) are factors recognized as measures of financial performance. ROA and ROE are the most recognized ways of measuring financial performance. The ROA evaluates the company's profitability using its total assets, whereas the ROE examines the way a company is using shareholder’s equity (Mwangi & Murigu, 2015). Baba and Nasieku (2016) posit that market based metrics like earnings per share, dividend yield, market to book value of equity and market capitalization can too be employed in financial performance measure. The current research used ROA as a metric of financial performance as it is the most recognized measure (Fatihudin & Mochklas, 2018).

1.1.3 Internal Control Practices and Financial Performance

Some theories describe the theoretical link between internal control and performance, like the agency theory, which forecasts that internal control systems have a positive impact on performance. Firm owners may take consolation in the knowledge that agents' actions favours the owners if they are offered adequate incentives and are properly managed (Jensen & Meckling, 1976). As a result, the director's function becomes one of monitoring management's actions who as per the stewardship theory has the fiduciary duty of ensuring the interests of the shareholders are well shielded.

Thorough stakeholder monitoring will improve the likelihood of complete disclosure, resulting in a positive internal control system impact on firm performance.

Slanislav (2006) highlighted that the main interest in financial internal controls is brought about by major losses incurred by many organizations. Incidences of weaknesses in internal control, unsatisfactory service delivery have negative effects in that they both weaken ability of the company to effectively collect revenue and encourages fraud, collusion, loss of cash (revenue),embezzlements, corruption, deliberate mistakes, assets conversion genuine, failure to demonstrate transparency and accountability in revenue collection and the other assets. It is therefore necessary to eliminate these barriers so as to enhance the attainment of the goals and mission of the company. The organization's management should thus understand the internal control procedures so as to attain effectiveness in service delivery and financial performance (Efozie, 2010).

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.

1.1.4 Commercial State Corporations

Commercial State Corporations (CSCs) were founded in Kenya in 1987 under the State Corporation Act Cap 446. The most of the nation’s state corporations were established after independence in the 1960s or 1970s (Republic of Kenya, 2020). As per the GoK-Sessional Paper No. 10, (1965), CSCs were primarily established to inspire more Kenyans to participate in the economy, as most institutions were still held by European settlers at the time, a process known as indigenization. As a result, a succession of CSCs was formed, with the total number of CSCs reaching 240 by 1995. After a series of restructurings to bring them in line with the country's development, there are 54 CSCs across the nation as of December 31, 2021.

The significance of state-owned enterprises cannot be overstated: in Kenya, state-owned corporations account for 15% of overall revenue. State-owned firms add value by being able to supply affordable, readily available, and essential goods as well as services in vital sectors like electricity, health, and transportation. They require a significant capital investment, which the private sector cannot provide. State-owned enterprises, if well-managed, may significantly improve residents' well-being while simultaneously promoting inclusive development (Mwangi, 2018).

The primary issue with Kenyan CSCs is the weak internal control mechanisms that have been established within the CSCs, as well as mishandling of finances and absence of strict regulatory oversight (GoK-Sessional Paper No. 4, 1991). This has resulted in the government being overburdened; for example, in 2016, the government paid KSH. 23.1 billion to assist Kenya Airways, Uchumi Supermarket, and Mumias Sugar Company in restructuring following a string of losses (CBK, 2016). Poor internal control practices and governance systems make it tough for CSCs to maintain consistent performance, causing them to fall behind the private sector. As a consequence, the CSCs' services have been insufficient and unreliable, prompting citizens to stop believing in them.

1.2 Research Problem

As a corporate governance mechanism, the function of internal control practice 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 performance (Jensen & Meckling, 1976). The contingency theory, however, maintains that the success of an organization, 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 performance (Njeri, 2014).

In Kenya in the recent years, several public institutions some of which were giants in their respective industries have gone under or have faced serious cash flow problems as a result of weaknesses in their internal control system. Giant Super markets such as Uchumi who were once dominant forces in the market have had serious cash flow issues hence they've been unable to meet both their short and long term obligations as and when they fall due. National bank has also had issues in the recent past. Public universities have also not been left behind when it comes to cash flow problems (Koech & Ogollah, 2018). Governance institutions such as the Ethics and Anticorruption Commission, the Controller of Budgets, and the Office of the Auditor General have observed an increase in reported corporate accounting and financial scandals in the public sector. All of these things could indicate a lack of good internal control practices.

Globally, there exist empirical studies in this area but they exhibit conceptual, contextual and methodological research gaps. 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 contextual gap to be filled in the present study since it was carried out in Malaysia on cooperative societies. 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 ICP and organizational performance. This study exhibits a conceptual gap as some aspects of ICP were left out such as risk assessment. Widyaningsih (2015) investigated the effect of ICP on financial accountability in the basic schools of Bandung in Indonesia 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, numerous studies have extensively studied the influence of ICP across fields. For instance, Ambuso (2021) examines the internal control practices on financial performance of private hospitals in western region, Kenya. The results revealed that documentation of transactions and standard operating policy has significant negative correlations on financial performance. The research presents a contextual gap as CSCs operate differently from private hospitals. Galgallo (2021) analyze the influence of internal control systems on financial accountability in Marsabit County. The results revealed that control environment, control activities, monitoring, ICT systems and risk assessment are essential in enhancing financial accountability. The research presents conceptual gaps as performance was not considered. Asiligwa (2017) focused on ICP and commercial banking financial performance in Kenya and identified a favorable connection between ICP and financial performance. There exists a conceptual gap as ICP was operationalized as just control environment and control activities. It is clear from literature that previous studies have left research gaps on the effect of internal control practices on financial performance among CSC in Kenya. The current study leveraged on this knowledge gap by answering the research question; what is the effect of internal control practices on financial performance of commercial state corporations in Kenya?

1.3 Research Objective

The objective of this research was to determine the effect of internal control practices on financial performance of commercial state corporations in Kenya.

1.4 Value of the Study

The conclusions of this research will contribute to already existing theoretical as well as empirical literature on internal control practices and financial performance. The findings will also help in theory development as they will offer insights on the shortcomings and relevance of the current theories to the variables of the study. Subsequent studies may also be carried out based on the recommendation for further research.

The conclusions of the research might be relevant to the policy makers such as the government. The research will serve as government guide on its role in policy making and how ICP affect financial performance. This would help the government identify areas of improvement. It will also be of help in evaluating how the various CSCs are doing in terms of ICP and performance and develop policies to guide on the same.

The conclusions will also aid CSCs management in understanding the correlation between the two variables, the research is expected to be beneficial by giving them insight on the significance of ICPs. Managers are likely to develop a clear strategy for improving their ICPs. The information can be used by the firms to enhance their delivery mode as well as strengthen their position.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter widely explains the theories on which internal control practices and performance is based. It further discusses the previous empirical studies; knowledge gaps identified and summarizes with a conceptual framework and hypotheses showing the expected relationship among the study variables.

2.2 Theoretical Framework

This segment examines the theories which underpin the study of internal control practices and performance. The study reviewed the agency theory, attribution theory and the accountability theory.

2.2.1 Agency Theory

This is the anchor theory of the current study. Jensen and Meckling (1976) agency theory describe an ‘agent' as someone who works on behalf of another person. The problem with the principal-agent relationship is that principals cannot contractually specify what the agent can do in any case (Moenga, 2015). Three factors can exacerbate the problems that arise from the principal-agent relationship: opportunism, sunk costs, and secret facts (Njau, 2016). Hidden information happens when agents have knowledge that the principal does not have and the agent has an opportunity to keep the knowledge hidden from the principal, all other factors held responsible. Hidden knowledge has the effect of allowing the agent to ‘shirk' or minimize efforts to the disadvantage of the principal. Agency theory has implications for why corporate governance best practice structures can provide productivity benefits and competitive advantages to organizations, based on the convention that corporate governance is required to ensure agent action is directed toward the principal interests (Aimone & Butera, 2016).

Despite this, agency theory is not without flaws. The agency theory fails to account for many of the complexities and challenges that agents confront in carrying out the principal's tasks and assignments. Furthermore, the control devices proposed in relation to agency theory are not only costly, but too ineffective economically, since shareholders' interest protection strategies can interfere with the implementation of strategic decisions, restrict collective activities, change investment plans, and neglect other stakeholder interests, resulting in a reduction in their economic value development endeavor (Segrestin & Hatchuel, 2011).

Suitability of agency theory to this research is because it clarifies in what way management, as the agent, is supposed to fulfill their perfect fiduciary duty of acting in principals' best interests and to prepare and offer principals with financial reports. As a result, agency theory is thought to provide a sound theoretical basis for the research's primary objective, which is the affiliation between ICPs and financial performance.

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 auditor’s 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 performance

Financial performance is determined by a number of factors. Almost everyone, whether in the public or private sector, is affected by these variables. 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 Review

Local as well as global researches have determined the link between internal control practices and performance, the objectives, methodology and findings of these studies are discussed.

2.4.1 Global Studies

Ashari and Krismiaji (2019) looked at the impact of ICPs on the financial performance of manufacturing firms listed on the Indonesian Stock Exchange. The return on assets is used to measure and proxy financial performance. This research employs a sample of 466 observations of publicly traded businesses on the Indonesian Stock Exchange for the fiscal years ending December 31, 2016 and 2017, which were gathered for a population of 660 listed firms. All of the internal control practices, according to the study, have a positive impact on the company's performance. The study also includes three control variables: auditor quality, financial leverage, and firm size. The financial performance of a firm is positively influenced by the quality of its auditors and financial leverage. However, the financial performance of a corporation is negatively influenced by its size. This study was conducted among listed firms in Indonesia whose nature of operations and social economic environment is different from that of CSCs in Kenya, which are the focus of the current study.

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). The study utilized a cross-sectional design and relied on primary data. The target population was accounting officers in the 123 government agencies. Research has demonstrated that ICPs can be used to predict financial accountability 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.

Shabri, Saad and Bakar (2016) examined the impact of internal control systems in Malaysia on cooperative profitability. 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 the Kenyan context that this study seeks to address. Cooperative societies in Malaysia operate in a different economic and social environment from CSCs in Kenya.

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. The social and economic setting of Malaysia is different from Kenya where the current study will be conducted.

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.

2.4.2 Local Studies

Galgallo (2021) sought to analyze the influence of internal control systems on financial accountability in Marsabit County. This research adopted agency theory, attribution theory and accountability theory. A descriptive research design was used. 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. The study revealed a significant positive relationship between control environment, control activities, monitoring, ICT systems, risk assessment and financial accountability in Marsabit County. In conclusion, control environment, control activities, monitoring, ICT systems and risk assessment are essential in enhancing financial accountability. The study presents a conceptual gap as it focused on financial accountability which is different from performance.

Ambuso (2021) examined examines the internal control practices on financial performance of private hospitals in western region, Kenya. A descriptive research design was used for the study. A population of 19 registered private hospitals was randomly selected with a sample size of 3 people per organization giving a total of 57 self-administered questionnaires which were distributed to respondent and collected after filling for analysis. The research results established that through Segregation of duties, Authorization of work activities, and internal audit of books, financial performance of the organization increased for the year 2020 as compared to year 2019 and hence a positive correlations in respect to financial perspective of private hospitals in western Kenya region. The results further revealed that Documentation of transactions and Standard operating policy has significant negative correlations on financial performance of private hospitals in western region, Kenya. The study focused on private hospitals and therefore a contextual gap.

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.

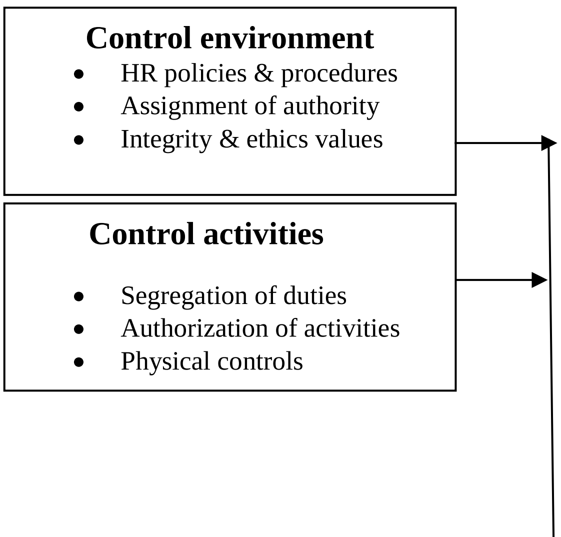
Nyakundi et al. (2015) investigated the impact of accounting practices on public secondary schools of Central Kisii district financial management accounts. The research showed that the level of fund management is favorably linked with the extent to which accounting techniques are used. The research found 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.

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.

2.5 Conceptual Framework

The conceptual framework shows the connection between the various components: control environment, control activity, monitoring, risk assessment, information and communication system and dependent variable financial performance expressed using ROA. Figure 2.1 shows the conceptual model

Independent variables **Dependent variables**



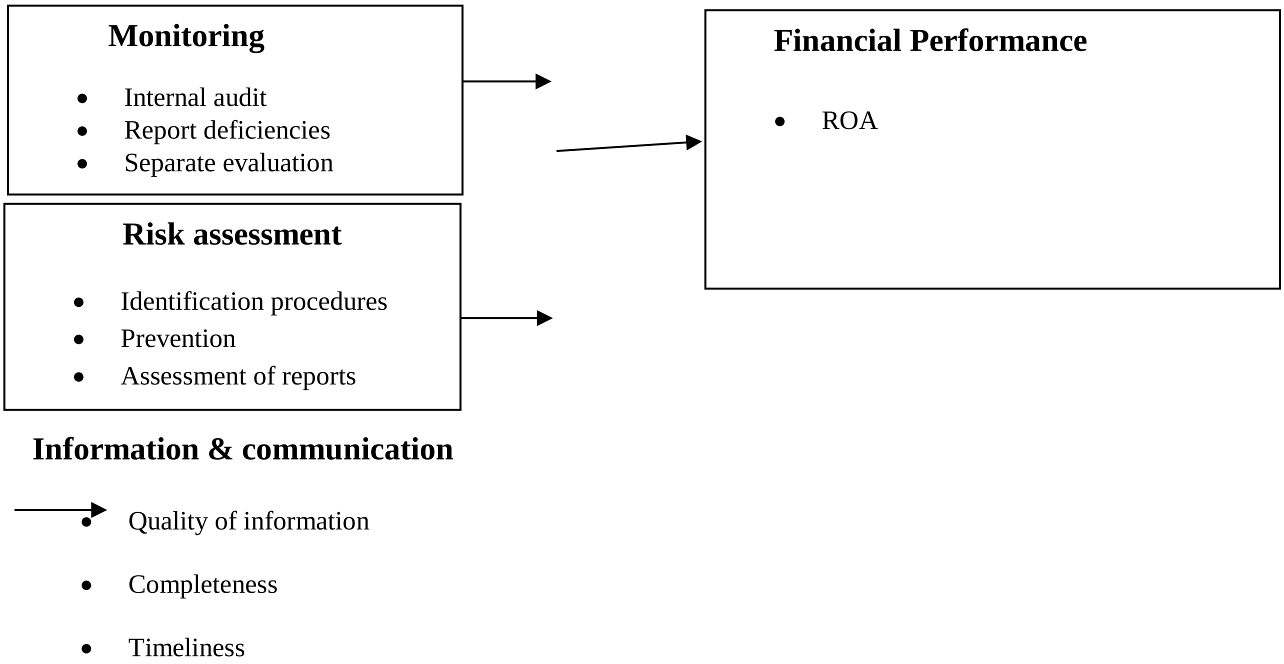


Figure 2.1: The Conceptual Model

Source: Researcher (2022)

2.6 Summary of the Literature Review

The theoretical reviews showed the predicted relation between internal control practices and performance. Major influencers of financial performance have been discussed. From the reviewed studies, there exist knowledge gap requiring to be addressed. From the studies reviewed, there are varied conclusions regarding the relation between internal control practices and ROA. The differences from the studies can be explained on the basis of different operationalization of internal control practices by different researchers thereby indicating that findings are dependent on operationalization model.

Additionally, many studies done employed different designs for which some relied on empirical review to conclude while others relied on existing literature in measuring how the variables relate. Researchers showed varied inconclusive findings and failed to indicate the exact relationship that internal control practices have with FP. This highlights the need for additional study in future research to bridge the gap through conceptualizing the impact of internal control practices on FP.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the approaches utilized in accomplishing the study objective which was to establish how internal control practices affect FP among CSCs in Kenya. In particular, the study highlights the; the design, data collection, and analysis.

3.2 Research Design

A descriptive design was adopted to determine how internal control practices and FP among commercial state corporations relate. This design was suitable because the researcher was particularly interested in the nature of the phenomenon (Khan, 2008). Additionally, it was adequate for describing how the occurrences are related to one another. Additionally, this design validly and accurately represented the variables, providing adequate answers to the study's questions (Cooper & Schindler, 2014).

3.3 Population and Sample

A population is all observations from a collection of interest like events specified in an investigation (Burns & Burns, 2008). The research population was all the 54 commercial state corporations as at 31st December 2021 (Appendix III).

3.4 Data Collection

This study utilized both primary and secondary data. The primary data was on internal control practices while the secondary data was on financial performance. The primary data was gathered by issuance of questionnaires to one respondent in each CSC. The target respondent was the internal auditor or their representative. The questionnaires had closed-ended questions. The questionnaire had five subdivisions where the initial segment sought to gather bio data on the respondents and the rest of the sections collected data on the independent variables. The researcher made use of Google forms to distribute the questionnaire.

The secondary data was extracted from annual published financials of the commercial state corporations from 2017 to 2021 and captured in data collection forms. The reports were extracted from the Office of the Auditor General financial publications and individual CSCs reports. The specific data collected included net income and total assets.

3.5 Data Analysis

SPSS software version 24 was used to analyze the data. Tables and graphs presented the findings quantitatively. Descriptive statistics were employed in the calculation of measures of central tendency and dispersion and combined with standard deviation for every variable. Inferential statistics relied on correlation and regression. Correlation determined the extent of the link between the research variables and a regression determined cause and effect among variables. A multivariate regression linearly determined the relation dependent and independent variables.

3.6.1 Diagnostic Tests

Diagnostic tests were completed to establish the normality, heteroskedasticity, multicollinearity, and autocorrelation. Normality tests determine whether a normal distribution appropriately represents a set of data and calculate the probability that a random variable have a normal distribution in data collection. The Shapiro-Wilk test was ideal for normality tests because it allows one to see the relationship between data and corresponding normal scores using power. The null hypothesis was that the variables were not significantly different from a normal distribution. Therefore, given a p-value of less than 0.05, the null hypothesis was rejected for the variable, which means a statistically significant difference between this variable and normal distribution and vice versa.

The existence of a relationship between the variable values based on connected attributes was determined using autocorrelation. To find patterns in the data, the autocorrelation function was used. Durbin Watson was performed to check autocorrelation. The thumb rule applied was that if the Durbin-Watson statistic is above four, there is negative autocorrelation, while if the Dublin Watson is less than four, then there is no autocorrelation. A multicollinearity test was performed to determine a significant correlation between predictor variables. Variance Inflation Factors (VIF) was utilized. When a regression's error variance is distributed throughout the independent variables, heteroskedasticity was used to confirm this. When data do not support the homogeneity of variances assumption, robust standard errors was used. This was checked using the Levene test (Burns & Burns, 2008).

3.6.2 Analytical Model

The following equation was applicable:

$$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3 + \beta_4X_4+ \beta_5X_5 +\varepsilon$$

Where: Y = Financial performance measured as the ratio of net income to total assets

β_0 =y intercept of the regression equation.

β_1, β_2, β_3, β_4, β_5 =are the regression coefficients

X_1 = control environment measured using likert scale questions

X_2 = control activities measured using likert scale questions

X_3 = monitoring measured using likert scale questions

X_4 = risk assessment measured using likert scale questions

X_5 = information and communication measured using likert scale questions

ε =error term

3.6.3 Tests of Significance

Parametric tests determined the general model and variable's significance. The F-test determined the model's relevance and this was achieved using ANOVA, while a t-test determined the relevance of every variable.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter primarily presents the analysis of the data collected, the results and the discussion of findings where the current study findings are related with previous studies. Specifically, the chapter covers the response rate, the descriptive analysis, correlation and regression analysis conducted to achieve the objective of this research study.

4.2 Response Rate

The researcher issued 54 questionnaires to internal auditors in each of the CSC in Kenya that was the subject of the study. 38 of the 54 administered questionnaires were completed, filled out, and returned representing a 70.37% response rate. As per Cooper and Schindler (2008), a study that has achieved a response rate of 70% should be considered excellent for data analysis and inference. The study's findings are displayed in table 4.1 below.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Returned	38	70.37
Unreturned	16	29.63
Total	**54**	**100**

Source: Field Data (2022)

From Table 4.1, it was deduced that the study achieved a 70.37% response rate. This implied that the data that was collected for the study was good for analysis, interpretation and inference.

4.3 Reliability Test

The questionnaire items were subjected to reliability tests which were done using Cronbach's Alpha. Internal consistency reliability test was done which was given by the Alpha coefficient which lies between 0 and 1. This kind of reliability test evaluates a respondent's capacity to respond consistently to comparable questions within a scientific poll. A higher coefficient implies a higher internal consistency of the research instrument. This study adopted value of 0.7 and above as adequate to conclude internal consistency. The variables in the research instrument, the number of items per variable, Cronbach's Alpha coefficient value of the questionnaire items and decision of the researcher, are as depicted on the Table 4.2.

Table 4.2 Reliability Results

Variables	No. of Items	Cronbach's Alpha	Critical Value	Conclusion
Control environment	7	0.983	0.7	Reliable
Control activities	7	0.866	0.7	Reliable
Monitoring	9	0.827	0.7	Reliable
Risk assessment	7	0.843	0.7	Reliable
Information systems	10	0.849	0.7	Reliable

Source: Research Data (2022)

The Table 4.2 outcomes indicated a relatively high degree of consistency in the variables. Control environment returned the highest alpha of 0.983 while monitoring variable had the lowest at 0.827. The five variables had alpha way above the 0.7 recommended by Burns and Burns (2008). The decision points therefore confirm that the study variables were reliable.

4.4 Demographic Analysis

The study aimed at understanding the general features of the respondents that were being surveyed. The demographic characteristics considered in this study are gender, age, education and experience in the current position.

4.4.1 Respondents' Gender

The respondents of the issued questionnaires were requested to indicate the gender of the respondents. Table 4.3 presents the findings.

Table 4.3: Gender of Respondents

Gender	Frequency	Percentage
Male	22	58%
Female	16	42%
Total	**38**	**100%**

Source: Field Data (2022)

As indicated by the outcomes above in Table 4.3, the highest number of the respondents was men recording 58 percent while women recorded 42%. This demonstrates CSCs in Kenya commitment to gender diversity, as the there was no huge variation in the number of male and female employees among respondents.

4.4.2 Age of the Respondents

The study aimed on establishing the respondents age in this study. The study age was regarded as important since the age would act as an influence on the response given. Table 4.4 gives the findings.

Table 4.4: Respondents' Age

Age	Frequency	Percentage
30 years and below	0	0
31-40 years	8	21.1
41-50 years	23	60.5
Above 50 years	7	18.4
Total	**38**	**100**

Source: Field Data (2022)

As Table 4.4 depicts, the highest respondent number (60.5 percent) were between the ages of 41 and 50 years, 21.1 percent were between the ages of 31 and 40, 18.4 percent were aged 51 and above years while there was no respondents aged 30 years and below. This shows most of the respondents are in midlife age and are mature enough to give required information.

4.4.3 Education Level

The target respondents were implored to show their highest educational level. The outcomes are shown in Table 4.5.

Table 4.5: Education Level

Level	Frequency	Percent
Diploma	3	7.9%
Undergraduate Degree	19	50%
Postgraduate Degree	16	42.1%
Total	**38**	**100**

Source: Field Data (2022)

The results in Table 4.5 revealed that the majority of respondents (50 percent) had a bachelor's degree, while 42.1 percent had a postgraduate degree. Only 7.9 percent had a diploma as the highest qualification. These results imply that the respondents had the requisite level of education to respond meaningfully to the questionnaire.

4.4.4 Years in the Current Position

Respondents were asked to indicate how long they had worked in their current position. The results are as shown in Table 4.6.

Table 4.6: Years of Service in Current Position

Number of years	Frequency	Percentage
Less than 2 years	5	13.2
2-5 years	17	44.7
6-10 years	14	36.8
Over 10 years	2	5.3
Total	**38**	**100**

Source: Field Data (2022)

The results in Table 4.6 reveal that the respondents had spent varied number of years in their current position. The duration in a position can be used as an indicator of their level of knowledge of internal organizational processes, capabilities, and success. The results in Table 4.6 indicated that 44.7 percent had worked in their current position for 2-5 years, 36.8 percent for 6-10 years, 13.2 percent for less than 2 years and 5.3 percent for over 10 years. This is an indicator that the respondents had been in their current position for a good period of time to answer questions regarding ICPs and performance.

4.5 Analysis of Study Variables

The study employed use of descriptive statistics measured by use of means and standard deviation. The mean was used as central tendency measure which was utilized to give a description of the most representative value in a set of other values used in estimation. The standard deviation was used to measure how much the items in the set of analysis differ (deviate) from the central tendency (mean).

4.5.1 Control Environment

The study investigated control environment among CSCs in Kenya. To collect data, the respondents were to rate statements about their control environment with the use of a Likert scale. Table 4.7 contains the mean and standard deviation for control environment indicators. The outcome revealed that employees are scrutinized for integrity and good conduct before employing them in the organization (Mean=4.45, std. dev=0.5). The findings further revealed that the ethical behaviors and integrity of the executive is reviewed on a continuous basis (Mean=4.33, std. dev=0.53). Respondents further agreed that their organization has modern and sufficient infrastructure systems (Mean=4.24, std. dev=0.55).

Table 4.7: Descriptive Statistics for Control Environment

Statements	N	Mean	Std. Dev
Our organization has modern and sufficient infrastructure systems	38	4.24	0.55
Our finance department is composed individuals who have accounting skills.	38	4.21	0.73
Employees are scrutinized for integrity and good conduct before employing them in the organization	38	4.45	0.50
The ethical behaviors and integrity of the executive is reviewed on a continuous basis	38	4.33	0.53
The organization has a working and documented policy which is adhered to.	38	4.03	0.63
Major activities in the organization are governed by rules and procedures that have been formalized.	38	4.21	0.65
All activities are conducted in accordance with the policies and processes for obtaining authorizations that have been established.	38	4.24	0.60
Overall mean Score	**38**	**4.24**	

Source: Field Data (2022)

The findings further revealed that all activities are conducted in accordance with the policies and processes for obtaining authorizations that have been established (Mean =4.24, std. dev=0.60). Results further revealed that major activities in the organization are governed by rules and procedures that have been formalized (Mean=4.21, std. dev=0.65). Respondents also agreed that their finance department is composed individuals who have accounting skills (Mean=4.21, std. dev=0.73). Moreover, results revealed that CSCs have a working and documented policy which is adhered to (Mean= 3.36, std. dev=0.80). 4.24 was the overall mean signifying that on average, commercial state corporations have an effective control environment.

4.5.2 Control Activities

The study investigated control activities among commercial state corporations. To collect data, the respondents were to rate statements about their control activities with the use of a Likert scale. Table 4.8 contains the mean and standard deviation for control activities indicators.

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	38	4.00	0.55
Controls have been put in place to prevent expenditures from exceeding the amounts that have been set aside for them.	38	3.91	0.67
It is conceivable for a single employee to gain access to all sensitive material without the Executive's permission.	38	3.85	0.78
Authorization assists in promoting financial accountability.	38	3.97	0.58
Proper verification before and after incurring any expenditure is strictly adhered to.	38	3.82	0.80
The organization enforce clear authorization and approval procedures	38	3.97	0.76
On a routine basis, records are reconciled to ensure accuracy.	38	3.80	0.65
Overall Mean Score	**38**	**3.90**	

Source: Field Data (2022)

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 authorization assists in promoting financial accountability (Mean=3.97, std. dev=0.58). Similarly, findings showed that controls have been put in place to prevent expenditures from exceeding the amounts that have been set aside for them (Mean=3.91, std. dev=0.67).

The findings further showed that it is conceivable for a single employee to gain access to all sensitive material without the executive's permission (Mean=3.85, std dev=0.78). Furthermore, findings showed that proper verification before and after incurring any expenditure is strictly adhered to (Mean=3.82, std. dev=0.80). Finally, findings showed that on a routine basis, records are reconciled to ensure accuracy (Mean=3.80, std. dev=0.65). The overall mean was 3.90 indicating that on average, CSCs in Kenya practice control activities to a great extent.

4.5.3 Monitoring

The study investigated monitoring among commercial state corporations. To collect data, the respondents were to rate statements about their monitoring with the use of a Likert scale. Table 4.9 contains the mean and standard deviation for monitoring indicators.

Table 4.9: Descriptive Statistics for Monitoring

Statements	N	Mean	Std. Dev
Internal audit staff conduct regular audit activities concerning revenue collection	38	4.21	0.69
Periodically, internal evaluations are performed to ensure that internal controls are being properly implemented.	38	4.03	0.63
Officers from office of the auditor general visit the agency frequently	38	4.03	0.52
The executive verifies all financial permissions and keeps track of how money are being used.	38	4.42	0.55
Internal control reviews are performed on a regular basis.	38	4.21	0.75
The executive carefully monitors the deployment of revenue performance internal control mechanisms.	38	4.03	0.64
Internal audits are conducted on a regular basis and with impartiality	38	4.03	0.62

There is regular comparison of actual with budgeted expenditure.	38	4.42	0.70
The executive verifies all financial permissions and keeps track of how money are being used	38	4.33	0.64
Overall Mean Score	**38**	**4.19**	

Source: Field Data (2022)

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 agency frequently (Mean=4.03, std. dev=0.52). The overall mean was 4.19 suggesting that monitoring among Kenyan CSCs is practiced to a great extent.

4.5.4 Risk Assessment

Table 4.10 shows the mean as well as standard deviation for the specific features of risk assessment. The findings revealed that most of the respondents concurred that sound and acceptable accounting procedures are adhered to in the organization (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 organization are the most serious based on criteria established by the firm (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 organization executive analyzes risks that may jeopardize the accomplishment of the established goals (Mean=3.45, std. dev=0.67). Lastly, the findings revealed that most respondents concurred that the organization 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 the CSCs in Kenya have adopted risk assessment to a great extent as shown by an average mean of 3.57.

Table 4.10: Descriptive Statistics for Risk Assessment

Statement	N	Mean	Std. Dev
The organization executive analyzes risks that may jeopardize the accomplishment of the established goals.	38	3.45	0.67
It is determined which fraud-related risk to the organization are the most serious based on criteria established by the firm.	38	3.53	0.72
In order to mitigate the significant risks that may arise as a consequence of fraud, measures have been put in place.	38	3.51	0.60
The organization security system identifies and safeguards institutional assets	38	3.31	0.72
All risk-prone activities such as handling cash are closely monitored to minimize risk	38	3.71	0.73
There are regular assessments and modifications of risk mitigation techniques.	38	3.31	0.58
Sound and acceptable accounting procedures are adhered to in the organization	38	4.16	0.65
Average	**50**	**3.57**	

Source: Field Data (2022)

4.5.5 Information and Communication Systems

The research sought to establish the extent of ICT systems among CSCs in Kenya. ICT system is the fifth stage of internal control systems. Table 4.11 shows the mean and standard for ICT systems indicators. The findings revealed that all stakeholders in the organization 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 organization'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).

Table 4.11: Descriptive Statistics for ICT Systems

Statements	N	Mean	Std. Dev
Internal control goals are better understood and supported when communication is effective.	38	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.	38	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 organization	38	3.55	0.86
All stakeholders in the organization are informed about issues that may have an impact on the accomplishment of financial goals.	38	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.	38	4.33	0.53
Financial and budgets reports provide a realistic and fair picture of the organization's financial situation.	38	4.25	0.75
Budgets for individual departments are given sufficient time for examination and verification	38	3.98	0.67
Involvement and consultation with all relevant departments are essential parts of the budget-making process.	38	4.08	0.55
Budget implementation reports are returned to the appropriate departments in a reasonable amount of time	38	4.05	0.62
A report on financial statements is presented to and debated by the executive team	38	4.12	0.78
Overall mean Score	**38**	**4.11**	

Source: Field Data (2022)

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 organization (Mean=3.55, std dev=0.86). On average, the results revealed that CSCs in Kenya have adopted ICT systems to a greater degree as average mean of 4.11.

4.5.6 Financial Performance

To establish the financial performance of the CSCs in Kenya, secondary data was collected. The secondary data collected was on net income and total asset as financial performance was measured using ROA. The descriptive results of the secondary data are as shown in Table 4.12

Table 4.12: Descriptive Results for Financial Performance

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	37	-.020	.107	.05051	.044572
Valid N (listwise)	37				

Source: Field Data (2022)

The results in Table 4.12 reveal that the minimum average ROA over the 5 year period was -2% while the maximum ROA was 10.7%. The average ROA was 5.05% with a standard deviation of 0.045. This implies that on average, the CSCs have been recording a positive financial performance over the study period.

4.6 Diagnostic Tests

As rationalised in chapter three, the researcher conducted diagnostic tests to ensure that the assumptions of Classic Linear Regression Model (CLRM) are not violated and to obtain the suitable models for examining in the consequence that the CLRM hypotheses are infringed. Accordingly, before processing regression model pre-approximation and post approximation analyses were carried out. The pre- approximation tests carried out in such cases existed in the multicollinearity test while the post estimation tests are normality test, test for heteroskedasticity and test for autocorrelation. The research obtained these analyses to refrain from factitious regression outcomes.

4.6.1 Normality Test

The normality of data can be tested using a variety of methods. The most commonly used methods include the Shapiro–Wilk test, Kolmogorov–Smirnov test, skewness, kurtosis, histogram, P–P Plot, box plot, Q–Q Plot, mean and standard deviation. The most extensively used normality tests are the Kolmogorov–Smirnov test and the Shapiro–Wilk test. The Shapiro–Wilk test is better for small sample sizes ($n < 50$ samples), while it can also be used on more extensive samples selections, whereas the Kolmogorov–Smirnov test is better for $n > 50$ samples. As a result, the study used the Kolmogorov–Smirnov test as the numerical method of determining normality. For both of the above tests, the null hypothesis says that the data are obtained from a normally distributed population. The null hypothesis is rejected when P-value is less than 0.05, and the data are said to be not normally distributed. If any violation of the assumption of normality was detected, necessary correction measures were applied.

Table 4.13: Test for Normality

	Kolmogorov-Smirnov	P-value
Financial performance	0.869	0.178
Control environment	0.918	0.202

Control activities	0.881	0.194
Monitoring	0.874	0.191
Risk assessment	0.892	0.201
Information systems	0.923	0.220

Source: Research Findings (2022)

From Table 4.13 results, all the study variables have a p value more than 0.05 and therefore were normally distributed.

4.6.2 Multicollinearity Test

Multicollinearity occurs when the independent variables in a regression model are significantly linked. Multicollinearity was assessed using the VIF and tolerance indices. When the VIF value is higher than ten and the tolerance score is less than 0.2, multicollinearity is present, and the assumption is broken. The VIF values are less than 10, indicating no problem with multicollinearity.

Table 4.14: Multicollinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Control environment	0.535	1.869
Control activities	0.601	1.664
Monitoring	0.598	1.672
Risk assessment	0.599	1.663
Information systems	0.621	1.610

Source: Research Findings (2022)

4.6.3 Heteroskedasticity Test

The residual variance from the model must be constant and unrelated to the independent variable in linear regression models calculated using the Ordinary Least Squares (OLS) method(s). Homoskedasticity refers to constant variance, whereas heteroscedasticity refers to non-constant variance. The study used the Breusch-Pagan/Cook-Weisberg test to check if the variation was heteroskedastic. The null hypothesis implies constant variance, indicating that the data is homoscedastic. The results are as shown in Table 4.15.

Table 4.15: Heteroskedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
chi2(1)	=	0.8427
Prob > chi2	=	0.6313

Source: Research Findings (2022)

Table 4.15 reveals that the null hypothesis was not rejected since the p-value was 0.6313, which was statistically significant ($p>0.05$). As a result, the dataset had homoskedastic variances. Since the P-values of Breusch-Pagan's test for homogeneity of variances were greater than 0.05. The test therefore confirmed homogeneity of variance. The data can therefore be used to conduct panel regression analysis.

4.6.4 Autocorrelation Test

Serial correlation, also known as autocorrelation, makes the standard errors of coefficients appear to be less than in linear panel data models, resulting in higher R-squared and erroneous hypothesis testing Autocorrelation was tested using Durbin-Watson test. Error terms of regression variables are uncorrelated if Durbin-Watson test is equivalent to 2 (i.e. between 1 and 3). The closer the value to 2 is; the better. The results are as shown in Table 4.16.

Table 4.16: Test of Autocorrelation

Durbin Watson Statistic
2.036

Source: Research Findings (2022)

The results in Table 4.16 show that the Durbin-Watson statistic was 2.036. This shows that the error terms of regression variables are uncorrelated as the Durbin-Watson statistic was close to 2.

4.7 Inferential Statistics

This section presents the findings for both correlation and regression analysis.

4.7.1 Correlation Analysis

To ascertain the type and degree of the connection between the studied variables, correlation analysis was conducted. In this research, the correlation between the study variables was determined using the Karl Pearson correlation coefficient. The outcomes are summarized in Table 4.17.

According to Karl Pearson correlation coefficient, the link between control environment and financial performance is statistically significant and moderately positive ($r=0.518$, $p<0.05$). This implies that control environment and financial performance move in the same direction. Further, the link between control activity and financial performance is statistically significant and weakly positive ($r=0.257$, $p<0.05$). This implies that control activities and financial performance move in the same direction. In addition, the link between monitoring and financial performance is statistically significant and moderately positive ($r=0.523$, $p<0.05$). This implies that monitoring and financial performance move in the same direction.

The link between risk assessment and financial performance is statistically significant and weakly positive ($r=0.244$, $p<0.05$). This implies that risk assessment and financial performance move in the same direction. Although information and communication systems and financial performance has a positive relationship, the relationship is not statistically significant.

Table 4.17: Correlation Results

		Financial performance	Control environment	Control activities	Monitoring	Risk assessment	Information systems
Financial performance	Pearson Correlation	1					
	Sig. (2-tailed)						
Control environment	Pearson Correlation	.518**	1				
	Sig. (2-tailed)	.000					
Control activities	Pearson Correlation	.257**	.375**	1			
	Sig. (2-tailed)	.010	.000				
Monitoring	Pearson Correlation	.523**	.465**	.269**	1		
	Sig. (2-tailed)	.000	.000	.007			
Risk assessment	Pearson Correlation	.244*	.157	.117	.126	1	
	Sig. (2-tailed)	.011	.119	.248	.211		
Information systems	Pearson Correlation	.117	.179	.522**	.194	.361**	1
	Sig. (2-tailed)	.069	.075	.000	.053	.000	

Source: Field Data (2022)

4.7.2 Regression Analysis

The study utilized regression analysis in determining if a linear link existed cross internal control practices and financial performance. The model summary, ANOVA, and coefficients tables present the analysis' findings. The model summary explains how much variation in the dependent variable is due to the independent variables fitted in the model. The ANOVA table checks if the model fit is statistically significant in predicting the dependent variable and the coefficient table quantifies the magnitude of the association between the variables. The findings of the study are shown in the tables below.

Table 4.18 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799[a]	.638	.581	.519397

a. Predictors: (Constant), Information systems, Control environment, Risk assessment, Control activities, Monitoring

Source: Field Data (2022)

From the model summary, it was realized 0.638 R Square. This infers that 63.8% of the variation in financial performance can be attributed to the 5 selected variables in this study.

Table 4.19 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.197	5	3.039	11.266	.000[b]
	Residual	8.633	32	.270		
	Total	23.829	37			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Information systems, Control environment, Risk assessment, Control activities, Monitoring

Source: Field Data (2022)

It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting financial performance based on internal control practices.

Table 4.20 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.178	.880		-.202	.840
	Control environment	.558	.169	.326	3.297	.001
	Control activities	.278	.158	.257	2.739	.009
	Monitoring	.470	.125	.361	3.756	.000
	Risk assessment	.266	.130	.248	2.504	.010
	Information systems	.127	.130	.081	.973	.333

a. Dependent Variable: Financial performance

Source: Field Data (2022)

From the Table 4:18 the following model has been developed;

$Y = -0.178 + 0.558X_1 + 0.278X_2 + 0.470X_3 + 0.266X_4$

Where:

Y = financial performance,

X_1 = control environment

X_2 = control activities

X_3 = monitoring

X_4 = risk assessment

Interpretatively, a unit rise in control environment will lead to a 0.558 rise in financial performance, a unit rise in control activities will lead to a 0.278 rise in financial performance, a unit rise in monitoring will lead to a 0.470 rise in financial performance while a unit rise in risk assessment will lead to a 0.266 rise in financial performance holding other factors constant.

4.8 Discussion of Findings

This study sought to establish the effect of internal control practices on financial performance among commercial state corporations in Kenya. The population of the study was the 54 commercial state corporations in Kenya. The study collected both primary and secondary data. The unit of analysis was the head of internal audit in each CSC. Data analysis involved descriptive, correlation as well as regression analysis. The independent variables for this study were control environment, control activities, monitoring, risk assessment and information and communication systems while the dependent variable was financial performance. The results of the study were presented in tables followed by pertinent interpretation and discussion.

The correlation results revealed that the link between control environment and financial performance is statistically significant and moderately positive ($r=0.518$, $p<0.05$). Further, the link between control activity and financial performance is statistically significant and weakly positive ($r=0.257$, $p<0.05$). In addition, the link between monitoring and financial performance is statistically significant and moderately positive ($r=0.523$, $p<0.05$). The link between risk assessment and financial performance is statistically significant and weakly positive ($r=0.244$, $p<0.05$). Although information and communication systems and financial performance has a positive relationship, the relationship is not statistically significant.

The regression results revealed that 63.8% of the variation in financial performance can be attributed to the 5 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting financial performance based on internal control practices. Individually, control environment, control activities, monitoring and risk assessment were found to be significant determiners of financial performance while information and communication systems did not have a significant effect.

The findings of this study are in line with Galgallo (2021) who sought to analyze the influence of internal control systems on financial accountability in Marsabit County. This research adopted agency theory, attribution theory and accountability theory. A descriptive research design was used. 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. The study revealed a significant positive relationship between control environment, control activities, monitoring, ICT systems, risk assessment and financial accountability in Marsabit County. In conclusion, control environment, control activities, monitoring, ICT systems and risk assessment are essential in enhancing financial accountability.

The findings of this study are also in line 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. 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.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter entails summary of findings, conclusions, implications and finally recommendations. This section also includes the limitations and suggestions for future studies.

5.2 Summary of Findings

The main objective of the study was to determine the influence of internal control practices on financial performance among commercial state corporations in Kenya. The research was backed by three theories: namely; agency theory, attribution theory and the accountability theory. A descriptive research design was utilized. The population of the study was the 54 commercial state corporations in Kenya. Since the population is relatively small, the study was a census. The unit of analysis was the head of internal audit in each CSC. For data analysis, both descriptive and inferential analysis was performed and the conclusions are presented in this segment.

The descriptive results revealed that commercial state corporations in Kenya practice internal controls to a great extent. Specifically, the CSCs in Kenya have an effective control environment, conduct control activities, have effective monitoring systems, they conduct risk assessment on a continuous basis and have in place information and communication systems. The descriptive results also revealed that on average, the CSCs have reported a positive financial performance over the last 5 years.

The correlation results revealed that the link between control environment and financial performance is statistically significant and moderately positive ($r=0.518$, $p<0.05$). Further, the link between control activity and financial performance is statistically significant and weakly positive ($r=0.257$, $p<0.05$). In addition, the link between monitoring and financial performance is statistically significant and moderately positive ($r=0.523$, $p<0.05$). The link between risk assessment and financial performance is statistically significant and weakly positive ($r=0.244$, $p<0.05$). Although information and communication systems and financial performance has a positive relationship, the relationship is not statistically significant.

The regression results revealed that 63.8% of the variation in financial performance can be attributed to the 5 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting financial performance based on internal control practices. Individually, control environment, control activities, monitoring and risk assessment were found to be significant determiners of financial performance while information and communication systems did not have a significant effect.

5.3 Conclusion of the Study

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

The research also indicates that monitoring has a positive impact on financial performance. Regression and correlated results corroborate the findings that demonstrate a positive connection between the monitoring and financial performance. The study also found that risk assessment has a favorable effect on financial performance. The study concludes that there is a strong positive relationship between risk assessment and financial performance. The research also found that ICT systems have a favorable effect on financial performance. The results of regression show a positive relationship between ICT systems and financial performance but not statistically significant.

5.4 Recommendations of the Study

The results show that the practice of control environment has a beneficial impact on the financial performance. The research recommends the need for CSCs to practice control environment activities on a continuous basis as this will go miles in guaranteeing they are financially viable. 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 performance. The study recommends that there is necessity for CSCs to develop effective strategies as this will contribute to their ability to be financially viable. Policy makers should come up with policy manuals guiding CSCs on how control activities should be conducted.

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

Financial performance in commercial state corporations was positively influenced by risk assessment, according to the findings of this study. CSCs ought to allocate adequate resources towards risk assessment as this will boost their financial performance. The CSCs 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

This research employed the use of primary data and as a way of minimizing the possible outliers, the research used a structured questionnaire. This however posed a risk of biased data since the respondents were constrained on the information they would give. In this regard, the researcher made sure that the data collection tool permits full data gathering that readily fits study objectives.

Additionally, a number of respondents were unsure on whether to be part of this research. The researcher resolved this by getting permits and authorizations from the relevant authorities such as the university. More so, the researcher conducted the research with highest regard of the ethical consideration and lastly the research offered to issues the participants with the results of the study.

5.6 Suggestions for Further Research

The research R^2 was 0.638 which indicated that 63.8% of the changes in financial performance were due to factors other than those covered in this study. Therefore, further study ought to be undertaken in other variables which were not covered in this study as they would possibly influence financial performance. These factors would for instance be corporate governance and organization culture amongst others. By understanding how each component affects financial performance, policymakers will be better equipped to develop and firmly execute a system to enhance it.

This research was undertaken on the effect of internal control practices on financial performance among commercial state corporations in Kenya. Future studies can study the effect of internal control practices on financial performance among other organizations in Kenya. Future research should take into account doing comparison studies to confirm how internal control practices varies or is comparable from one firm to another.

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APPENDICES

Appendix I: Letter of Introduction

April 2022

Dear Respondent,

RE: REQUEST FOR RESEARCH DATA

I am a student at University of Nairobi where I am undertaking a degree in Master of Science in Finance. I am required to submit as part of my course work assessment, a research on **"EFFECT OF INTERNAL CONTROL PRACTICES ON FINANCIAL PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA".**

You have been selected for generating data needed for this study. The purpose of this information will be only for academia and nowhere in the report will your name be mentioned. In case you need the findings of this research we shall avail it to you.

Your assistance will be truly valued.

Thank you in advance.

MICHAEL KIMANZI MATI

Appendix II: Questionnaire

Dear respondent,

This questionnaire has been designed to collect information on the effect of internal control practices on financial performance of commercial state corporations in Kenya. Kindly read the questions thoroughly and respond as truthfully as possible. The information collected will be used only for scholarly study purposes and will be held in strict confidentiality.

Instructions

1. Tick appropriately

2. Please feel free to add some additional appropriate information to the study.

SECTION A: BACKGROUND INFORMATION

1. Kindly indicate your gender

   a) Male ( )

   b) Female ( )

2. Please indicate your age

   (a) Below 30 years ( )

   (b) Between 31-40 years ( )

   (c) Between 41-50 years ( )

   (d) Above 50 years ( )

3. How long you have worked at the organization.

   a) Less than 2 years ( )

   b) Between 3-5 years ( )

   c) Between 6-10 years ( )

(d) More than 10 years ( ).

4. Please indicate the highest level of education

(a) Diploma ( )

(b) Undergraduate Degree ( )

(c) Postgraduate Degree ( )

(d) PhD ( )

SECTION B: CONTROL ENVIRONMENT

Please tick the level with which you agree or disagree with the following statements which best describe control environment in your organization

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

Statement	**5**	**4**	**3**	**2**	**1**
Our organization has modern and sufficient infrastructure systems					
Our finance department is composed individuals who have accounting skills.					
Employees are scrutinized for integrity and good conduct before employing them in the organization					
The ethical behaviors and integrity of the executive is reviewed on a continuous basis					
The organization has a working and documented policy which is adhered to.					
Major activities in the organization 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

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					
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 organization enforce clear authorization and approval procedures					
On a routine basis, records are reconciled to ensure accuracy.					

SECTION D: MONITORING

Please indicate your degree of agreement or disagreement with the following assertions using the options in the accompanying table.

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 organization frequently					
The executive verifies all financial permissions and keeps track of how money are being used.					
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					
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: RISK ASSESSMENT

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**
The organization executive analyzes risks that may jeopardize the accomplishment of the established goals.					
It is determined which fraud-related risk to the organization are the most serious based on criteria established by the firm.					
In order to mitigate the significant risks that may arise as a consequence of fraud, measures have been put in place.					
The organization 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.					
Sound and acceptable accounting procedures are adhered to in the organization					

SECTION F: INFORMATION AND COMMUNICATION SYSTEM

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
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 organization					
All stakeholders in the organization 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 organization'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					

Thank you very much

Appendix III: Commercial State Corporations in Kenya

1. Agro-Chemical and Food company
2. Chemilil Sugar Company Ltd
3. Consolidated Bank of Kenya
4. Development Bank of Kenya Ltd
5. East Africa Portland Cement ltd
6. Fisheries Development and Promotion Service
7. Geothermal Development Company (GDC)
8. Golf Hotel Kakamega East African
9. Jomo Kenyatta Foundation
10. Jomo Kenyatta University Enterprises Ltd
11. Kabarnet Hotel Limited East African
12. Kenya Airports Authority (KAA)
13. Kenya Animal Genetics Resource
14. Kenya Broadcasting Corporation
15. Kenya Development Bank
16. Kenya Electricity Generating Company
17. Kenya Electricity Transmission Company
18. Kenya Industrial Estates
19. Kenya Literature Bureau (KLB)
20. Kenya Meat Commission
21. Kenya National Assurance Co. (2001) Ltd
22. Kenya National Shipping Line
23. Kenya National Trading Trading (KNTC)
24. Kenya Pipeline Company (KPC)

25. Kenya Ports Authority (KPA)

26. Kenya Post Office Savings Bank

27. Kenya Power and Lighting Company (KPLC

28. Kenya Railways Corporation (KRC)

29. Kenya Reinsurance Corporation Ltd

30. Kenya Safari Lodges and Hotels Ltd East African

31. Kenya Seed Company (KSC)

32. Kenya Veterinary Vaccine Production Institute

33. Kenya Wildlife Conservation Service

34. Kenyatta International Convention Centre

35. Mt Elgon Lodge East African

36. Muhoroni Sugar Company Ltd

37. National Cereals & Produce Board(NCPB)

38. National Housing Corporation

39. National Oil Corporation of Kenya

40. National Water Conservation and Pipeline Corporation

41. New Kenya Co-operative Creameries

42. Numerical Machining Complex

43. Nyayo Tea Zones development Corporation

44. Nzoia Sugar Company Ltd

45. Postal Corporation of Kenya

46. Rivatex (East Africa) Ltd

47. School Equipment Production Unit

48. Simlaw Seeds

49. Sony Sugar Company Ltd

50. South Nyanza Sugar Company Limited

51. Sunset Hotel Kisumu East African

52. Tourism Finance Corporation

53. University of Nairobi Enterprises Ltd

54. University of Nairobi Press (UONP)

Source: KNBS (2022)