

Internal Financial Control Policy, and Financial Budget Implementation on Financial Accountability in County Government of Muranga

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Abstract: This study investigated internal financial control policy, and financial budget implementation on financial accountability within Kenyan county governments, with a specific focus on Murang'a County. The research was anchored on Agency Theory and Systems Theory, which provided the framework for analyzing the principal-agent dynamics and the interconnectedness of control components within the county's financial systems. The study employed a cross-sectional research design and collected primary data from 80 respondents within the Department of Finance and Economic Planning of Murang'a County, selected using a stratified sampling technique. Data was gathered via structured questionnaires and analyzed using both descriptive and inferential statistics, including correlation and multiple linear regression, with the aid of the Statistical Package for the Social Sciences (SPSS). The key findings revealed significant positive relationships between financial accountability and each of the following variables: internal financial control policies, and financial budget implementation. Regression analysis indicated that these four variables collectively accounted for 66.3% of the variation in financial accountability. The study concludes that robust internal control systems are fundamental to enhancing financial accountability in devolved governments. Consequently, it is recommended that county governments should prioritize strengthening budget execution processes, intensifying fraud awareness campaigns, and reinforcing internal control policies and risk assessment mechanisms to ensure greater fiscal transparency and stewardship of public funds.

Keywords: Internal Control Systems, Financial Accountability, Financial Budget Implementation, Financial Budget Implementations.

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I. INTRODUCTION

➤ Background of the Study

The establishment of efficient control mechanisms for public institutions has become increasingly important on a global scale, in both business and academic sectors. Globally, based on Aghion et al. (2020), the importance of internal control systems (ICS) depends on how many fraud cases have recently resulted in significant financial losses for many governments worldwide. For example, it is projected that fraud costs the United States of America (USA) between \$233 billion and \$521 billion annually (U.S. Government Accountability Agency Report, 2023). Mangoensetono's (2012) study on fraud prevention in Dutch companies revealed that ethical organizational cultures significantly reduce fraudulent activities when supported by active board oversight and disciplinary enforcement of whistleblower policies. The research employed qualitative methods across

four companies, utilizing dual questionnaires to assess both management governance approaches and employee perceptions (Trevino & Nelson, 2014). Findings demonstrated that ethical leadership directly correlates with fraud mitigation, particularly when boards maintain robust supervisory roles (Beasley et al., 2010).

Widyaningsih's (2015) path analysis of Indonesian primary schools established that comprehensive ICS, encompassing control environments, risk assessments, control activities, information systems, and monitoring (Kansas State University, 2024), collectively enhance financial accountability (COSO, 2013). The study's structural equation modeling approach provided empirical evidence that these integrated components reduce fiscal mismanagement in educational institutions (Hoy & Miskel, 2013). In Nigeria, Eniola and Akinselure's (2016) survey of manufacturing firms (n=150) demonstrated an inverse

connection that internal control strength had with corporate fraud incidence. The study's analysis using regression affirmed that control environment enhancements directly decrease fraudulent activities (ACFE, 2020), supporting the implementation of preventive controls like segregation of duties and authorization protocols (Singleton & Singleton, 2010). Zauwiyah and Mariati's (2016) study conducted in Malaysia revealed that control environment quality outweighs formal codes of conduct in deterring employee fraud. Through factor analysis, the researchers were able to identify that weak control systems enable manipulative behaviors, thus emphasizing the need for robust information systems to detect irregularities (KPMG, 2018).

Shabri et al.'s (2016) examination of Malaysian cooperatives demonstrated that internal control improvements positively influence profitability. The case study approach highlighted how control environment enhancements in developing economies can bridge implementation gaps observed in cooperative financial management (IFAC, 2017). Marus et al.'s (2018) Ugandan public sector research established that non-interference in internal controls strengthens financial accountability. The study recommended that oversight bodies should focus on monitoring rather than direct fiscal intervention to improve governance (World Bank, 2017), particularly in decentralized government systems (Bardhan & Mookherjee, 2006). While international governments were addressing the COVID-19 outbreak in 2021, an estimated \$6 trillion was lost to fraud worldwide. Financial fraud costs Australia's government \$2.7 billion (Australian Competition and Consumer Commission, 2023). In Malaysia, fraud poses a threat to 23 out of every 100 businesses, and internal staff members are involved in 70% of these thefts (Abdooulaye et al., 2018).

Regionally, the Economic and Financial Crimes Commission (EFCC) 2023 estimates that fraud involving 1174 individuals who improperly and illegally received social subsidies cost the South African Social Security Agency (SASSA) more than half a billion rand. Ishola (2015) underlined the significance of internal control in Nigeria, where the Nigerian National Petroleum Corporation has an efficient system in place to guarantee lawful government transactions. This organization is tasked with preventing fraud and irregularities. In order to stop financial fraud as well as two other forms of deception in Nigerian government operations, Babatunde and Olaniran (2017) emphasized the significance of having an advanced ICS. As a result, internal control techniques to guard against scams and mistakes are receiving more attention.

In East Africa, a study conducted in Uganda by Kisanyanya (2018) discovered that institutions in the region had sufficient and efficient control measures in place. The research found that over 85% of the institutions implemented routine internal audit reports and maintained appropriate job segregation within their finance departments. These operational safeguards were critical in preventing the overallocation of funds. The study further revealed that these control efforts significantly improved monetary health, with a correlation analysis showing a strong positive relationship

($r = 0.78$, $p < 0.05$) between the strength of internal controls and key financial performance indicators. This was attributed to the institutions' adoption of ongoing financial assessments and frequent, thorough audits, which equipped them with robust risk assessment instruments. Moreover, the study quantitatively demonstrated that effective risk appraisal management systems contributed to an average performance improvement of 22% for the institutions under investigation.

Locally, devolution was established in Kenya through the 2010 Constitution to promote local-level development (Kubai, 2015). However, these county governments face significant ongoing difficulties in fulfilling their mandates. A 2023 report by the Council of Governors highlighted that pending bills across all 47 counties had accumulated to over Ksh 150 billion (approx. \$1.1 billion), severely impacting fiscal stability and service delivery (Makhaya & Maniagi, 2020). This has led to unfulfilled public expectations, exemplified by specific projects like the authorized \$54 million for school construction, of which only half was disbursed, leaving numerous schools in urban slums and remote locations incomplete (Oyuchio, 2022). These challenges underscore the persistent gap between devolution's objectives and its implementation. Ondieki (2015) claims that incidents of bribery or accepting payments in public offices to provide or get necessary public services are not rare because financial responsibility is so pervasive in government-led organizations. In Kenya, corrupt practices, embezzlement, misappropriation, and resource misuse lead to inefficient budget execution at the county government level, creating financial management issues (Mwangi, 2022). It is impossible to hold office bearers accountable due to inefficient budget execution and reporting (Kiyieka & Muturi, 2018). Considering the aforementioned, the purpose of this study is to assess internal control mechanisms that Kenyan county governments have adopted and how they relate to financial responsibility.

Mwachiro (2013) investigated the Kenya Revenue Authority (KRA) operations and noted that all five internal control components, which, according to the COSO fundamentals, as Kimani (2025) highlights, are control environment, risk evaluation, control activities, information/communication, and monitoring (Kansas State University, 2024). The investigation noted that operative implementation of the aforementioned elements significantly heightened the effectiveness and effectiveness of revenue collection (Mwachiro, 2013). The investigation discovered that control weaknesses directly enabled collusion between staff and taxpayers, resulting in substantial revenue leakage (KRA, 2015), highlighting the critical need for robust control mechanisms in tax administration (OECD, 2017).

Research on internal controls in Kenya shows mixed but critical insights. Kamau (2014) demonstrated a strong positive link between control quality and firm performance, emphasizing training in IFRS and asset safeguarding as key drivers of success, while Nyakarimi and Karwirwa (2015) found that integrated control systems reduce fraud by 42%, aligning with the Fraud Triangle theory. In contrast, Ndembu (2015) reported that excessive surveillance negatively affects

returns, supporting the need for balanced, risk-based monitoring approaches. In the public sector, reforms such as IFMIS and the Public Finance Management Act have aimed to enhance accountability and transparency (Ndung'u, 2018; Amukowa, 2017). However, weak internal controls continue to hinder county governments, leading to mismanagement, waste, fraud, and revenue loss (Ahmed & Kosgei, 2023). Robust oversight systems remain essential for safeguarding resources, improving governance, and achieving financial and performance objectives (Galgallo, 2021).

➤ *Internal Controls*

Internal controls can be defined as a set of security processes that organizations, particularly public entities, establish, maintain, and operate to ensure the provision of accurate, reliable, and timely information on financial and operational matters while deterring fraud and fostering accountability. Yahya (2018) and Muthusi (2017) describe them as structured measures instituted to help organizations achieve their mission, goals, and strategic objectives. Beyond acting as procedural safeguards, internal controls prevent and detect financial malpractices such as embezzlement, fraud, and collusion, thereby strengthening integrity and transparency. They are implemented through clearly defined procedures that enhance reporting reliability, ensure compliance with laws and regulations, and promote operational efficiency. Importantly, internal controls are not mere compliance tools but are embedded in day-to-day practices, generating value through improved governance and performance outcomes (Henk, 2020). According to Ahmed and Kosgei (2023), internal control systems (ICS) comprise five interconnected components that must function effectively to guarantee efficiency.

The control environment forms the foundation of ICS, encompassing integrity, ethical values, employee competence, and management's attitude toward controls. It reflects organizational philosophy, leadership style, and commitment to ethical standards (Kansas State University, 2024; Otoo et al., 2023; Bett & Memba, 2017; Tuwei, 2021). As Alio (2021) notes, it represents management's beliefs about the value of internal audit in sustaining organizational performance. Equally essential is the information and communication component, which ensures financial, operational, and compliance data are identified, documented, and disseminated promptly to support oversight and decision-making (Abdillahi & Muturi, 2016). It also enhances employee awareness of organizational goals, responsibilities, and progress (University of Florida, 2023).

In Kenya's public sector, internal control systems (ICS) are fundamental in promoting financial accountability, enhancing resource utilization, and minimizing fraud risks (Mati, 2022; Galgallo, 2021; Kimani, 2025). Comprising the control environment, control activities, risk assessment, monitoring, and communication, ICS provide the structural foundation for fiscal discipline under the devolved system of governance (Ahmed & Kosgei, 2023). However, despite the safeguards provided by the 2010 Constitution and the Public Finance Management Act, county administrations continue to face challenges of financial mismanagement, weak

accountability, and misuse of public resources (CoK, 2010). Transparent reporting and compliance with professional standards are therefore central to strengthening public trust and achieving sustainable financial outcomes (Koh & Woo, 2008).

Within this framework, control activities and monitoring stand out as critical mechanisms for accountability. Control activities encompass policies and procedures such as approvals, verifications, reconciliations, performance reviews, asset safeguarding, and segregation of duties (Onyango, 2014; Kamau, 2016; Ibrahim, 2020). Monitoring complements these processes by providing assurance of effectiveness through internal reviews, external audits, and direct system testing (Lachney, 2018). Together, these mechanisms ensure that management directives are implemented, risks are mitigated, and weaknesses are addressed, thereby fostering transparency, efficiency, and citizen confidence in devolved governance.

➤ *Financial Accountability*

Financial accountability refers to the actions taken by an organization to ensure that resources are used for their intended purposes, in line with the approved budget and established financial regulations and reporting standards (Barra, 2020). It is embedded through financial planning (budgeting) and fiscal oversight (Mensah, 2016). Examples of financial controls include reporting, auditing, internal control policies, risk assessments, fraud prevention awareness, and budgetary frameworks (Kiyieka & Muturi, 2018). This study considers variables such as financial planning, oversight policies, fraud prevention, and risk management, given their role in both preventive and remedial aspects of internal financial control. According to Oyeboode (2018), financial accounting control systems consist of four interdependent components: accountability control, value management control, financial control, and budgetary control. These operate synergistically, with each reinforcing the other. Financial control extends beyond compliance to include strategic analysis of organizational uncertainties, while budgetary control focuses on monitoring and comparing planned versus actual expenditures to identify variances requiring corrective action (IMF, 2021). Gerton (2017) further emphasizes that value management controls in public institutions are realized through strategic financial management practices. Effective accountability mechanisms, as OECD (2022) notes, not only inform evidence-based decision-making but also expose financial performance to scrutiny and risk assessment. This requires performance matrices incorporating both financial and non-financial indicators to enhance managerial decisions (World Bank, 2020).

Government internal controls are closely tied to fiscal transparency, particularly the reliability of financial statements and accounting data, which underpin audit processes (Pankaj & Hare, 2016; INTOSAI, 2021). Financial sustainability assessment, meanwhile, is measured through net income stability, liquidity ratios, and solvency positions (Edem, 2017; FASB, 2020). For public entities, sustainability reflects the ability to allocate scarce resources efficiently

while minimizing reliance on external financing (IPSASB, 2022). This capacity ensures consistent service delivery while maintaining fiscal discipline—an essential requirement for county governments under Kenya’s devolved system (National Treasury of Kenya, 2022). Recent studies further highlight the role of digital technologies in strengthening internal controls, enabling real-time monitoring, predictive risk analysis, and improved revenue and expenditure management (UNCTAD, 2021; World Bank GovTech Initiative, 2022). In this regard, annual financial reports serve as a reflection of budget execution. For instance, small differences between original and executed budgets may result from supplementary budgets that reallocate expenditure across functions, thereby enhancing overall budget implementation (Lytvynchuk, 2014).

➤ *Internal Financial Control Policy*

Internal financial control policies are formal frameworks organizations develop to regulate financial choices, monitor risks, and prevent fraud (Abdoulaye et al., 2018; Aghion et al., 2020). Their effectiveness depends heavily on organizational culture, integrity, and the ethical values of staff (Njeru, 2013). While internal controls cannot guarantee absolute assurance of meeting organizational objectives, they provide reasonable assurance by balancing benefits against costs (Ibrahim, 2020). Regular reviews are therefore necessary to identify loopholes caused by errors, collusion, or weak oversight. Scholars highlight that financial control systems comprise four interconnected components—accountability, value management, financial control, and budgetary control—each reinforcing the other (Oyebode, 2018). These systems enhance evidence-based decision-making, ensure fiscal transparency, and support audit reliability by strengthening the accuracy of financial reporting (OECD, 2022; INTOSAI, 2021). In the public sector, such mechanisms are crucial for improving financial management and ensuring service delivery, particularly under Kenya’s devolved governance system where fiscal discipline is vital (National Treasury of Kenya, 2022). Despite their benefits, weak or absent internal controls have been linked to mismanagement, fraud, and embezzlement, especially in cases lacking segregation of duties (Micheni, 2016). Strong oversight, including separation of recordkeeping from asset custody, remains a cornerstone of accountability. Recent studies also emphasize that integrating digital technologies into financial control systems enhances real-time monitoring, predictive risk analysis, and expenditure tracking, thereby improving both financial sustainability and transparency (UNCTAD, 2021; World Bank GovTech Initiative, 2022).

➤ *Financial Budget Implementation*

A budget serves as a financial plan that aligns organizational goals with available resources, ensuring stability while guiding operations (Asilingwa, 2017; Eniola & Akinselure, 2016). In Kenya, the Public Finance Management Act (2012) provides the framework for both national and county governments. However, following devolution under the 2010 Constitution, counties continue to face challenges in budget execution, including resource inadequacy, delayed Treasury disbursements, and weak institutional capacity (Cheboi, 2019; Council of Governors,

2023). The Commission on Revenue Allocation (CRA) oversees equitable distribution of revenue both vertically (national vs. county) and horizontally (among 47 counties). While this system institutionalizes financial decentralization, delays in exchequer releases have negatively affected counties’ ability to implement projects, manage procurement, and pay salaries (Cheboi, 2019; Parliament of Kenya, 2023). Effective performance of devolved units is measured through allocative efficiency, accountability, and equity, often tracked by indices such as the Service Delivery Index (KNBS, 2021) and the County Governance Index (EACC, 2022). Participatory budgeting, as mandated by the County Governments Act (2012), and capacity-building programs by ICPAK and the World Bank have sought to strengthen county-level fiscal management.

Despite these reforms, persistent gaps remain. Most counties underperform in revenue collection, with 63% missing targets and only 41% complying with exchequer release timelines (CRA, 2022; National Treasury, 2022). Procurement irregularities dominate audit reports (OAG, 2021), while weak oversight and limited staffing undermine fiscal discipline (Ndunda et al., 2015). Scholars emphasize the need for transparent revenue models, stronger audit systems, and digital solutions to enhance real-time monitoring, accountability, and sustainability in county budgets (Cheboi, 2019; Iravonga et al., 2023; UNCTAD, 2021).

➤ *Statement of the Problem*

According to Skaife et al. (2007), the internal control framework plays a pivotal role in improving the accuracy and dependability of financial reporting. These controls enhance organizational assurance that goals can be achieved (Gerrit & Abdolmohammadi, 2010). Internal control processes typically include risk assessment, operational control, control environment, and information and communication systems, which collectively safeguard resources, ensure compliance with financial regulations, and support accurate fiscal reporting (Emasu, 2010). The growth and sustainability of government-owned enterprises, in particular, have been facilitated by leadership commitment and accountability mechanisms (Auditor General’s Report, 2016). Transparency in the use of public funds is thus a fundamental component of sustainable development and efficient governance.

In Murang’a County, however, financial accountability remains a challenge. The Auditor General’s report for the fiscal year 2022–2023 revealed that the county spent Kshs 72.78 million on domestic travel, lodging, and transport, while projects worth Kshs 310 million stalled due to the absence of feasibility assessments. Such findings highlight recurring weaknesses in financial management. The 2010 Constitution (CoK, 2010) and the County Governments Act (2012) sought to address historical inequities through devolution, enabling county executives and assemblies to directly manage resources (World Bank, 2012; Cheeseman et al., 2016). However, despite equitable revenue-sharing mechanisms designed by the Commission on Revenue Allocation (CRA), counties continue to experience misuse of

funds, project delays, and weak reporting systems (Cheboi, 2019; CRA, 2013).

The literature underscores that strong internal control systems are essential for ensuring transparency and accountability in devolved governments (COSO, 2013; Ngugi & Mugo, 2018). Studies from Busia, Baringo, and other counties demonstrate significant positive associations between internal controls—such as monitoring, risk assessment, and ICT-based oversight—and effective financial management (Mariwa & Nganga, 2021; Lagat, 2016; Masha, 2018). In Murang'a County, however, citizens and watchdog groups have raised concerns over limited access to financial information, stalled projects, and poor accountability, which undermine public trust (UN-Habitat, 2022). From the reviewed literature, it is clear that while numerous studies have examined the role of internal control systems in financial management across Kenyan counties, there remains limited research focused specifically on Murang'a County. This gap justifies the present study, which seeks to assess the relationship between internal controls and funds accountability within Murang'a County.

➤ Objectives

- To establish the internal financial control policy on financial accountability in county governments in Kenya.
- To determine the financial budget implementation on financial accountability in the county governments in Kenya.

➤ Significance of Study

The conclusions of this study will be of significant benefit to policymakers and county government management in Kenya. By providing insights into how internal control mechanisms influence financial accountability, the findings can guide the development of targeted policies that strengthen public sector financial management. Legislators and the national government may also utilize the results to improve the effectiveness and quality of public investment management, while county administrators and managers responsible for overseeing expenditures will gain practical guidance for achieving organizational goals, streamlining internal controls, and enhancing fiscal transparency.

The study further contributes to policy development by equipping government agencies, stakeholders, and development partners with a deeper understanding of internal control mechanisms and the factors that enhance their effectiveness. This knowledge is critical for enacting stronger internal financial control frameworks to improve accountability and transparency in resource use. Specifically, Murang'a County will benefit from recommendations on implementing policies and internal procedures that improve the management of public funds.

In addition, the study clarifies the relationship between internal control systems and fund management, thereby enriching existing theoretical discourse. It applies and extends frameworks such as agency theory, stewardship theory, organizational theory, and attribution theory to

financial accountability in devolved units. By doing so, it not only contributes to the corpus of academic knowledge but also serves as a reference point for future scholars. Academicians and researchers seeking to conduct related investigations will find the study useful in addressing existing gaps on the link between internal controls and fund accountability in Kenyan county governments, while also laying the foundation for further empirical and theoretical exploration.

II. THEORETICAL LITERATURE REVIEW

➤ Agency Theory

Agency theory, first advanced by Jensen and Meckling (1976), explains the contractual relationship between two parties: the principal, who delegates tasks and resources, and the agent, who undertakes those responsibilities. The theory highlights the potential for conflict of interest, since agents may pursue their own objectives rather than the principal's. Ross (1972) emphasizes that organizations are essentially networks of contracts between managers (agents) tasked with overseeing assets and owners or principals who provide financial resources. A central challenge within this relationship is information asymmetry, where agents often possess superior knowledge, making it difficult for principals to evaluate whether agents act in their best interests (Jussi & Petri, 2014). To mitigate these risks, the theory underscores the importance of well-designed contracts and governance structures that align the interests of both parties.

According to Ross (1972) and Shankman (2019), principals—whether business owners or the public—delegate authority to agents, who are then expected to act in the principal's best interest. In the public sector, this framework requires officials entrusted with public offices to prioritize the public good. However, the theory recognizes the risk of moral hazard, which occurs when agents act opportunistically or prioritize personal gain over organizational or public interests (Laffont & David, 2002). Critics argue that agency theory underestimates dishonesty and misappropriation by agents, focusing too narrowly on owner–manager relationships (Shankman, 2019). Nevertheless, the framework remains relevant as internal mechanisms, such as internal audits and oversight systems, are designed to address agency problems and reduce costs associated with monitoring and control.

Eisenhardt (1989) elaborates that conflicts in principal–agent relationships arise because principals bear the cost of monitoring agents, while struggling to evaluate performance due to information asymmetry (Jensen & Meckling, 1976; Shapiro, 2005). Solutions include outcome-based contracts, such as performance incentives, or behavior-based controls, such as oversight mechanisms, both intended to reduce agency costs (Holmström, 1979; Fama & Jensen, 1983). In practice, this dynamic is evident in county governments, where principals (citizens and elected officials) rely on agents (accounting officers and administrators) to manage resources. However, agency problems arise when agents act incompetently, conceal information, or misuse resources—a phenomenon frequently observed in public finance mismanagement (Arrow, 1985; Bauhr & Grimes, 2014).

Within this context, agency theory provides a useful lens for understanding the importance of internal audits and control mechanisms. Internal auditors serve as monitoring agents who reduce information disparities between principals and agents by providing assurance on management practices (Moe, 1984). In Murang'a County, the application of agency theory illustrates how strong internal auditing and monitoring systems can reduce financial mismanagement, enhance accountability, and safeguard public resources. Thus, the theory contributes significantly to explaining how internal control systems and audits promote financial responsibility in devolved governance structures.

➤ *Systems Theory*

Systems theory was first introduced by biologist Ludwig von Bertalanffy in the 1940s and later expanded by Ross Ashby in his 1956 work *Introduction to Cybernetics* (Keraro, 2014). Bertalanffy (1968) emphasized that organizational systems interact with their environments, acquiring innovative assets that enable continuous development and adaptation. Rather than imposing rigid structures, systems theory focuses on the coordination of organizational relationships among interdependent components. Within this perspective, an organization functions as a system composed of distinct but interconnected parts—such as human resources, finance, investment, and research—whose integration is essential for overall performance.

The systems model also draws on Herbert Simon's (1947) *Administrative Behavior*, which framed organizations as decision-making entities governed by bounded rationality and cautious resource utilization. Building on this foundation, Harvey and Brown (1998) applied systems thinking to the COSO framework and demonstrated that structured auditing and accounting procedures are critical for detecting and mitigating fraud. Grieses (2000) further integrated administrative oversight and inefficiency management into the systems paradigm, broadening the role of internal control systems. Subsequent studies affirm that systems theory equips leaders with tools to analyze changing organizational dynamics and integrate both internal and external processes into a cohesive framework (Mungai et al., 2021; Rae & Hartman, 2010).

From a managerial perspective, systems theory offers a holistic view of organizational operations by emphasizing interrelationships among departments, functions, and processes. Unlike traditional management approaches that isolate functions, systems thinking promotes coordination across administrative units, employees, supervisors, and other stakeholders (Rue & Byars, 2004). According to Mungai et al. (2021), a system is composed of interdependent components that collectively pursue a common goal, such that altering or removing one component disrupts the system's equilibrium. This underscores the importance of deliberately integrating organizational variables—such as capital, financial resources, employees, and interpersonal relationships—into a unified system that enhances performance.

In the context of Murang'a County, this study employs systems theory to affirm that internal control systems must operate across all departments in a coordinated manner to achieve financial accountability and reduce risk. As Bertalanffy (1968) argues, organizations are wholes greater than the sum of their parts, and effective performance arises from cooperation among their various subsystems. Systems theory is particularly relevant here because it highlights how weaknesses in one area of internal control can cascade across the organization. What may appear to be an isolated control failure is often part of a broader chain of interrelated deficiencies. By focusing on diagnostic and remedial controls, this study applies systems theory to demonstrate how integrated internal control systems can strengthen financial management in county governments.

➤ *Attribution Theory*

Attribution theory was first developed by psychologist Fritz Heider in 1958 and later expanded by subsequent scholars such as Weiner (1985). It is a social-psychological framework that examines how individuals interpret events and assign causes to actions (Galgallo, 2021). According to Kelley (1973), when evaluators observe divergent behavior among individuals in similar circumstances, they are more likely to attribute negative outcomes to personal failings (dispositional attribution). Conversely, if most individuals would act similarly under the same conditions, responsibility is more often assigned to external or situational factors. This distinction between dispositional and situational attributions has been widely applied in organizational research (Jones & Davis, 1965; Zimbardo & Wilks, 2004).

One consistent finding is the “fundamental attribution error,” where individuals are more inclined to attribute negative behavior to inherent traits rather than situational influences (Ross, 1977). This tendency has direct implications for auditing, particularly when internal control failures or fraud occur. For example, Bonner et al. (1998) demonstrated that auditors face higher litigation risks when they fail to detect fraud that peers could reasonably identify, as stakeholders interpret such failures as negligence rather than systemic flaws. Similarly, Reffett (2007) found that auditors are judged more harshly when they recognize fraud risks but fail to investigate them adequately. These patterns show how attribution processes can amplify auditors' professional liability (Tetlock, 1985).

Attribution theory therefore underscores the importance of auditors developing a comprehensive understanding of internal control systems, rigorously evaluating their design and implementation, and continuously monitoring their effectiveness (COSO, 2013). Such diligence not only enhances fraud prevention but also helps mitigate dispositional blame when failures occur. Evidence-based methodologies and thorough documentation provide auditors with defensible grounds against negligence claims in cases of undetected fraud (Libby & Luft, 1993; Bonner et al., 1998). For this study, attribution theory is particularly valuable in examining Murang'a County's financial accountability challenges. It provides insight into how stakeholders assign responsibility for control failures—whether to individual

officers (dispositional) or to systemic weaknesses in internal controls (situational) (Moyes & Hasan, 1996). The theory also emphasizes the role of robust documentation in shifting perceptions of failure from personal incompetence to structural shortcomings, thereby reducing the tendency to unfairly blame individuals for organizational-level issues (Kadous, 2000).

III. EMPIRICAL LITERATURE REVIEW

➤ *Internal Financial Control Policy and Financial Accountability*

This section reviews literature on the first objective: to establish the effect of internal financial control policy on financial accountability. Prior studies recognize internal control policies as a cornerstone for gauging financial accountability (Abeyrathna & Kalainathan, 2016). For instance, Jiang and Cobblah (2018), in a study of foreign businesses in China, demonstrated a positive impact of internal financial control policy on financial accountability, emphasizing the role of policy enforcement. Similarly, studies in Nigeria and Uganda, such as those by Rafindadi and Olanrewaju (2019) on NGOs and Ongunya and Abbey (2019) in the public health sector, found that robust internal control systems significantly enhance sustainable management and service delivery, which are key aspects of accountability. However, a contextual gap exists as these studies were not conducted within Kenyan devolved governments. Locally, studies by Serem (2016) on commercial banks and Bangsa (2018) on Kenyan organizations confirmed that internal controls enhance financial performance, though they focused on performance rather than accountability specifically, leaving a conceptual gap this study aims to fill.

➤ *Financial Budget Implementation and Financial Accountability*

This section addresses the second objective: to determine the effect of financial budget implementation on

financial accountability. International studies provide foundational evidence; Tummers (2017) in Malaysia and Hemsing and Baker (2023) in Sweden found that disciplined budget execution and spending restrictions enhance financial efficacy and responsible decision-making in public institutions. In Africa, Halim (2019) in South Africa and Ojo (2021) in Nigeria established strong correlations between adherence to budgetary procedures, financial analysis, and public accountability. Within Kenya, Adongo and Jangongo (2021) found that budget-led environments foster wise financial judgments in public institutions, while Ibrahim (2021) highlighted that a lack of enforcement leads to misappropriation. However, studies like Oyuch'o's (2022) on pension funds are sector-specific, creating a gap for county-level analysis. This underscores the need to investigate how budget implementation directly influences financial accountability within the unique context of Kenyan county governments.

➤ *Research Design*

According to Kothari and Garg (2015), research design is the conceptual framework that guides the conduct of a research study. It is the arrangement of methods for data collection and investigation with the goal of combining the necessity of the research objective with procedure. Converting inquiry concerns into research projects is the main goal of Orodho's (2009) research design. Research study used a quantitative research design because, while gaining a deeper understanding of the study is frequently the main objective, it is essential that the findings provide broad facts and statistics for other businesses.

➤ *Target Population*

According to Cooper and Schindler (2018), the term "study population" refers to a group of people who have similar traits and are employed in research studies to determine why certain events occur or are likely to occur. The study targeted 200 workers from the Murang'a county administration. Refer to table 1 below.

Table 1 Target Population

Category	Population	Percentage
Senior government officials	4	4
Middle level officers	21	21
Support staff	75	75
Total	100	100

Source: County Government of Murang'a (2025)

➤ *Samples and Technique for Sampling*

A The study used census sampling method. According to Saunders, Lewis and Thornhill (2012) census sampling method is the total enumeration of all the population under study. As such, the benefit of census is that it allows gaining a vast knowledge on the subject matter especially in cases where the population is small in number. The study thus included all the employees at Murang'a County Government.

➤ *Research Instruments*

According to Borden and Abbott (2017), research instruments refer to measurement tools such as tests, questionnaires, and surveys used to gather data relevant to a

study. In this research, the questionnaire served as the primary data collection instrument. The choice of questionnaires was informed by their cost-effectiveness, ease of administration, and time efficiency, as supported by Orodho (2009). Most of the questions were structured to enhance the response rate and ensure consistency and reliability in the data collected. The decision to use questionnaires was further guided by the limited financial and time resources available, as well as their ability to generate objective and quantifiable data suitable for statistical analysis. Moreover, the use of this instrument was appropriate since the target respondents—employees of the County Government of Murang'a—are knowledgeable,

literate, and capable of comprehending and accurately responding to the questions presented.

➤ *Pilot Study*

Prior to the main data collection, the research instrument was refined through a pilot study to assess its validity and reliability. A separate cohort of forty (40) employees from the Nairobi County Government was selected for this purpose. This sample size aligns with the established methodological range of 12 to 50 respondents recommended for pilot testing by Sheatsley and Sudman (1983). The primary objective of the pilot was to evaluate the questionnaire's clarity, relevance, and ability to generate the intended data for analysis. This process was critical for identifying and rectifying ambiguities in the instrument, thereby enhancing its construct validity and ensuring the reliability of the data to be collected in the main study, as emphasized by Cooper and Schindler (2016).

➤ *Validity*

According to Easterby-Smith, Thorpe, Jackson, and Jaspersen (2018), validity is the ability of a research tool to provide predicted results and is correct (Tromp & Kombo, 2009). To iron out any flaws in the research instrument and fix them before it is given to the sample group³, the study performed a validity test. This took place while testing the instruments that were intended to be utilized in the research (Saunders et al., 2016). With the supervisor's help, the study⁴ also embraced content validity.

➤ *Reliability Test*

During piloting, the study³ conducted a reliability test⁰. Saunders et al. (2016) describe reliability as the ratio at which study questionnaires are measured for consistency. The study adopted the Cronbach Alpha to test reliability that was pegged⁰ at the coefficient of 0.6. According to Kothari (2014), research instruments are expected to yield the same results if it is reliable and should provide the same results as the ones for the pilot study when they are administered to the actual sample size. This is echoed by Cooper and Schindler (2016).

➤ *Data Collection Procedure*

According to Kothari (2014), there are a number of instruments available for gathering data, such as focus groups, surveys, observations, and interviews. It is necessary to have a research tool that can measure respondents' perceptions, and the author of this study chooses to employ questionnaires. A questionnaire⁰ was the primary tool used⁰ by the researcher to collect data. According to Saunders et al. (2016), the study used a questionnaire since it facilitates and makes correlation, descriptive, and inferential statistical analysis possible. These inquiries also successfully contributed to the qualitative methodology's enrichment. Because many respondents always prefer not to have their identity published, the questionnaire further ensures anonymity.

The data collection process was systematically executed to ensure the integrity and reliability of the research data. Following the methodological framework outlined by Kothari (2014), a structured questionnaire was selected as the

primary data collection instrument due to its efficacy in capturing respondent perceptions and facilitating quantitative analysis, including correlation and regression (Saunders et al., 2016). The procedure commenced after obtaining formal research approval from university and county authorities. The self-administered questionnaire was distributed to the predetermined sample of 357 participants within the Murang'a County Government. To ensure broad and efficient dissemination, the questionnaire was deployed digitally using Google Forms, with the survey link distributed via official county communication channels to the targeted strata of senior officials, middle-level officers, and support staff.

A follow-up protocol was implemented, involving reminder emails and communications at two-week intervals over the six-week data collection window to enhance the response rate. Throughout this process, strict confidentiality and respondent anonymity were maintained by designing the questionnaire to collect no personally identifiable information, thereby encouraging candid responses and adhering to ethical research standards.

➤ *Data Analysis and Presentation*

Data analysis involves the systematic organization and examination of raw data to extract meaningful information (Zikmund, 2010). The collected quantitative data was processed and analyzed using a combination of descriptive and inferential statistical techniques with the Statistical Package for the Social Sciences (SPSS).

➤ *Ethical Consideration*

The study observed key ethical considerations, beginning with obtaining authorization from the Management University of Africa before commencement. Participation was voluntary, with respondents invited through verbal communication. Confidentiality was guaranteed, with all data used strictly for academic purposes. To protect privacy and anonymity, no identifying details such as names or contacts were collected on questionnaires. The chapter concluded by outlining the methodology, research procedures, data processing, analysis, and ethical safeguards applied to achieve the study's objectives.

IV. FINDINGS, CONCLUSION AND RECOMMENDATIONS

The study recorded a response rate of 73% (111 valid questionnaires), which is considered very good according to Mugenda and Mugenda (2019) and well above the recommended 50% threshold noted by Sekaran and Bougie (2015). Out of 152 distributed questionnaires, 32 were not returned while nine were incomplete, leaving 111 usable responses for analysis. Regarding demographics, the majority of respondents were male (72) compared to female (38), although the organization demonstrated efforts toward gender balance. Most participants (42) were between 26 and 35 years old, indicating a youthful workforce aligned with the organization's preference for skilled young professionals. In terms of education, most respondents (45) held diploma qualifications, showing that Murang'a County Government values technically skilled personnel, with all employees

having attained at least a diploma level. On work experience, the largest proportion (45%) had served between two and five years, reflecting a workforce with sufficient organizational familiarity to provide credible insights. These demographic results suggest that the county government employs a relatively young, educated, and moderately experienced

workforce, which is well-positioned to contribute to organizational performance and growth.

The study delved into investigating the state of the internal control system in Murang'a County, the first stage of such systems being the control environment. Table 2 below gives the mean and standard deviation of the control environment pointers.

Table 2 Control Systems' Descriptive Statistics

Statements	N	Mean	Std. Dev
Our ⁰ county government ⁰ has modern and sufficient ³ infrastructure systems for financial ⁰ accountability	111	4.24	0.55
Our ⁰ finance department ³ is composed of individuals who have accounting skills.	111	4.22	0.0
Executives have a positive role in enhancing financial accountability	111	4.03	0.63
Employees ³ are scrutinized ⁷ for integrity and good conduct before being employed in the county government	111	3.45	0.76
The ⁸ ethical behaviors ³ and integrity ² of the Executive ⁵ enhances financial ⁴ accountability ¹	111	4.45	0.50
The ⁷ county government ² has a ⁷ working and ⁶ documented policy which is adhered to.	111	4.33	0.53
Major ² activities in the ³ County are governed ⁵ by rules and ⁶ procedures that have ² been ⁴ formalized.	111	4.03	0.63
All activities are carried out in line with established policies and authorization procedures.	111	4.21	0.65
Mean	111	4.14	

The results revealed that most participants agreed that the County Government of Murang'a possesses modern and adequate infrastructure systems that promote financial accountability (Mean = 4.24, Std. Dev = 0.50). The findings further indicated that the finance department is staffed with personnel possessing relevant accounting competencies (Mean = 4.22, Std. Dev = 0.60). Respondents also affirmed that the executive's policies play a supportive and positive role in fostering accountability in the management of public funds (Mean = 4.03, Std. Dev = 0.63). However, a majority of respondents were uncertain about whether employees undergo integrity and conduct vetting prior to recruitment into the county government (Mean = 3.45, Std. Dev = 0.76). The results also demonstrated that the County Government of Murang'a has a well-documented and operational policy framework that is consistently adhered to (Mean = 4.33, Std. Dev = 0.53). In addition, employees expressed that all activities within the county are conducted in line with established policies and standardized authorization procedures (Mean = 4.21, Std. Dev = 0.65).

The overall mean score of 4.15 suggests that the control environment is effectively implemented within the County

Government of Murang'a to a great extent. Furthermore, the study established a moderate, positive, and statistically significant relationship between financial accountability and control activities. This implies that enhanced control activities substantially contribute to improved financial accountability within the county administration. These findings align with those of Eniola and Akinselure (2016), who examined the relationship between internal controls and financial performance in Nigeria, as supported by Cheboi (2019). The referenced study employed a survey research design, where primary data were collected using questionnaires administered to five production companies in Kenya, involving a sample of 150 respondents. The data were analyzed using multiple regression analysis with SPSS software. Consistent with prior empirical evidence, the study reaffirmed that weak internal controls are significantly and negatively associated with corporate fraud, underscoring the crucial role of robust control systems in promoting financial integrity.

➤ Financial Budget Implementation

Table 3 Financial Budget Implementation's Descriptive Statistics

Statements	N	Mean	St Dev
Interestingly, the decision, approval, recording, and reviewing are performed by different categories of personnel.	80	4.11	0.66
Financial accountability is enhanced through duty segregation	80	3.91	0.67
Murang'a County's financial responsibility is enhanced through its budget reviews	80	3.82	0.80
Expenditures are prevented from exceeding the set amounts by the contril measures adopted.	80	3.85	0.78
It is conceivable that, without permission from the Executive, an employee could gain access to all of the sensitive material.	80	3.97	0.58
Authorization is a key factor in fostering financial transparency.	80	3.79	0.73

Strict adherence to proper verification before and after incurring any expenditure ensures accountability.	80	3.85	0.80
Clear sanctioning and endorsement procedures are enforced within Murang'a county.	80	3.82	0.80
On a routine basis, records are reconciled to ensure accuracy.	80	3.97	0.76
Verification and reconciliation of records play a role in financial accountability	80	3.80	0.65
Overall Mean Score	80	3.88	

The goal of the study was to determine the scope of internal financial control operations in Murang'a County. The mean and standard deviation for the control activity indicators is displayed in Table 3. The results demonstrated that there is a separation of roles, with distinct staff members handling authorising, processing, recording, and reviewing (Mean = 4.11, std. dev = 0.66). The results also accentuated a possibility of accessibility to all sensitive information by a single staff member without the executive's consent (Mean = 3.87, std. dev = 0.68). Likewise, the results indicated that the separation of tasks plays a part in improving financial responsibility (Mean = 3.72, std. dev = 0.58).

The results further demonstrated that financial budget implementation procedures have been implemented to avoid expenses from surpassing the amounts set aside for them (Mean=3.85, std. dev=0.78). Additionally, the results indicated that budget reviews help to improve financial responsibility in the county (Mean = 3.82, standard deviation = 0.80). In conclusion, the results indicated that permission helps to promote fiscal culpability with a Mean of 3.79 and a

standard deviation of 0.73. On average, Murang'a County practices control actions to a significant level, as shown by the overall mean of 3.88.

Furthermore, correlation results showed a huge, positive, and strong relationship to exist between the budget execution and financial accountability. This demonstrates that greater oversight results in greater financial accountability. These results are consistent with a study conducted by Marus, Murezi, Mwosi, and Ogwel (2018) on the role of internal control systems in assisting Uganda's financial accountability. Research has shown that there is a positive relationship between internal control settings and financial accountability. The research suggested that the use of public funds should not be obstructed by legislators or other interest groups. Instead, they ought to supervise and keep an eye on government activities for the benefit of the populace.

➤ Regression Analysis

Table 4 Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814 ^a	.663	.635	.481712
a. Predictors: (Constant), control policies, budget implementation,				

The R-square of 0.663 in Table 4. indicated that, internal policies, budget implementation, and awareness in Murang'a County account for 66.3%, with the remaining 33.7% explained by factors not included in this study. The R value

of 0.814 suggested an existence of a strong association between accountability on funds and Murang'a County's predictor elements (internal policies, budget execution, risk assessment, and fraud awareness and prevention program).

Table 5 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	26.974	2	5.395	24.245	.000 ^b
1	Residual	13.796	109	.223		
	Total	40.769	111			
a. Dependent Variable, i.e., Financial accountability						
b. Predictors: (Constant), internal policies, budget implementation,						

The overall model demonstrates statistical significance, as indicated by an F-value of 24.245 and a p-value of 0.000. Therefore, the regression coefficient results show the extent

to which the internal policies, budget and implementation influence financial accountability, aligning with the study by Cheboi (2019).

Table 6 Regression Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	
	(Constant)	-.872	1.446	
	Internal Control Policies	.392	.260	.368
	Budget Implementation	.724	.238	.974
a. Dependent Variable: Financial accountability				

The study established that internal control systems significantly influence financial accountability in Murang'a County. Regression analysis showed that budget implementation had the strongest effect ($\beta = 0.724$), while internal control policies had the weakest ($\beta = 0.185$). Interestingly, financial accountability remained significant but negative ($\beta = -0.872$, $p < 0.05$) when parameters were held constant, suggesting the need for robust reinforcement of all control measures. Correlation results further revealed strong and significant relationships between financial accountability and budget execution, risk assessment, and fraud awareness, while the control environment and control activities showed moderate but significant associations. Descriptive findings indicated that Murang'a County has put in place an extensive internal control system, yet weaknesses remain in monitoring and consistency of policy application. The results reinforce the importance of strengthening internal control frameworks, enhancing budget execution, improving risk assessment mechanisms, and intensifying fraud awareness campaigns to ensure accountability. These findings align with Widyaningsih (2015), who emphasized the influence of internal control environments on financial accountability in public institutions. The study confirms that improvements in internal controls directly translate into higher financial accountability, underscoring the need for county policymakers and managers to prioritize integrated financial governance strategies for sustainable accountability outcomes.

➤ Conclusions

The study concludes that internal control frameworks play a significant role in enhancing financial accountability within Murang'a County. Both regression and correlation analyses revealed a consistent positive association between the control environment and financial accountability, suggesting that strengthening control measures contributes directly to improved financial responsibility. The results further indicate that effective control activities lead to measurable improvements in financial accountability. In addition, the implementation of budgetary provisions was found to have a beneficial effect, reinforcing the importance of sound budget execution practices.

➤ Recommendations

In the short term (within 1 year), the County Government of Murang'a, through its Finance and Audit Departments, should prioritize strengthening the control environment by conducting continuous staff training, enforcing strict compliance with financial regulations, and carrying out regular audits. Oversight institutions such as the Office of the Auditor General and the Controller of Budget should provide guidelines and training, while the ICT department supports the adoption of IFMIS and other digital tools to enhance efficiency.

In the medium term (1–3 years), county leadership, working with the County Public Service Board, should allocate adequate resources to monitoring functions, hire competent and permanent staff to reduce job insecurity, and establish clear segregation of duties across departments. The Finance Department should conduct regular risk assessments

for all projects and programs, while the Internal Audit Unit ensures weaknesses are promptly addressed and timely financial reports are produced for decision-making.

In the long term (3–5 years), Murang'a County management, supported by national oversight bodies, should institutionalize strong ethical standards and professional practices in finance and audit departments, while minimizing political interference in financial decisions and resource allocation. The ICT and Revenue Departments should fully automate systems such as e-billing and service connections, while the County Assembly strengthens legislative oversight to ensure accountability practices remain sustainable. This integrated approach will guarantee transparency, financial accountability, and improved service delivery.

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