

**INFLUENCE OF INTERNAL CONTROL PROCEDURES ON THE FINANCIAL
MANAGEMENT OF COUNTY GOVERNMENT OF HOMABAY**

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**A research Project Submitted in Partial Fulfillment of the Requirements for the
Award of Degree of Master of Public Administration**

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DECLARATION

This is my own work, and it has not been submitted for an academic award at this or any other institution.

Signed:



Date: **10/11/2023**

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C51/40383/2021

With my consent as the University supervisor, this project has been submitted for review.



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DEDICATION

This study is dedicated to my wife, Marjorie N. Michaels, who has always believed in my potential to succeed academically, as well as to my lovely children, Audrey Ayana Michaels and Giovanni Otieno Michaels, who are the reason I strive to inspire them.

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Abbreviations and Acronyms

ICT:	Information Communication and Technology
IFMIS:	Integrated Financial Management and Information Systems
KRA:	Kenya Revenue Authority
M&E:	Monitoring and Evaluation
RBV:	Resource Based View
SMEs:	Small and Medium Enterprises

ABSTRACT

This research studied internal control and financial management of Homabay County. The independent variables for the study included financial monitoring, internal audit, automation and budgetary controls. The main theory for the study was resource-based view theory. Descriptive research was used by the researcher. This study's target population included individuals who carry out the following financial oversight tasks: 10 nationally treasury officials, 20 county auditors, 20 county revenue collectors, 30 budget making officers, and 20 M&E officers. Open ended and close ended questionnaires were administered to respondents to get general information and individual perspectives. Project supervisor thoroughly reviewed the instrument to ensure that it adequately addressed the study's objectives. The piloted results from Migori County were used to see if they produce results that are reasonably comparable. From the findings, all the independent variables greatly affected financial performance of Homabay County. The study recommended that the Homabay County government should consider implementing an integrated financial monitoring system. This system should incorporate modern technologies and automation to streamline the processes of tracking expenditures, scrutinizing financial receipts, monitoring supplier payments, and managing county debts. By centralizing and automating these tasks, the county can ensure real-time data accuracy, transparency, and accountability, leading to improved financial performance and informed decision-making and that the county should establish a robust budget oversight committee comprising experienced financial professionals and representatives from various departments.

CHAPTER ONE: INTRODUCTION

1.0 Background to the Study

Financial resource management is a sign of an organization's, institutional's, or commercial entity's security in terms of operating expenses, profitability, and success. As a result, financial management elements that deliver excellent services to the public are required (Dandago, 2018). According to Alkaraan (2018), the local county administration may also employ the financial oversight governance model to increase transparency and account for all funds within its authority.

Financial management is a key component which contributes to the success of any business (Muhunyo, 2018). Individuals in control of money should be frequently checked (Lanyasunya, 2020). Accountability would discourage transactional actions and promote transformative resource deployment. Financial accountability might be accomplished by regularly reporting on how money is spent in institutions and government offices (Gitau, 2018). Internal control methods are required for institutions to foster financial accountability (Muhunyo, 2018). Effective financial management ensures that money is effectively preserved and secured from theft and fraud by unscrupulous persons (Osioru, Rotich, & Anyango, 2017).

Muhunyo (2018) evaluated internal control mechanisms and how they influenced the success of Kenyan county governments, concluding that many public institutions perform poorly financially. It was proposed that counties implement robust internal control systems in order to protect their finances. Lerno (2019) established an association between internal controls and counties performance in Kenya. The research found that these are the main parts that make up internal control: evaluating risks, control operations, interpersonal interaction, and oversight and assessment elements. The poll found that many of county personnel were unaware of whether the county they worked in had a system of internal oversight or how effective it was.

Mwangangi (2021) claims that an audit examination of the Homabay County Assembly's operational processes showed that, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, the county management had not put in place an effective risk management policy and internal controls systems. The Accounting Officer of each public organization is required by the Regulation to develop risk management plans that include strategies for preventing fraud. The omission left the County Assembly without the impartial instruments needed to identify, evaluate, and manage operational and other risks. Due to insufficient internal controls, money was also spent but not recorded. Based on this assumption, this study sought to evaluate how internal controls affected the Homabay county government's financial management.

1.1.1. Internal Control Procedures

Hussein (2018) define internal control as "processes designed and implemented by the administration to provide reasonable guarantees on the achievement of institutional goals of efficiency and effectiveness in operations, as well as compliance with applicable laws and regulations in the direction of reliable financial reporting." Managers, governors, and other personnel create and implement internal control systems to ensure dependability, operational effectiveness, and amenability with relevant rules and regulations (Gamage, 2014). Internal control systems in county governments that are effective minimize waste and the allocation of funding to socially detrimental programs (Mustika, 2015). Internal systems are used by county governments to guarantee that government's goals are accomplished (Gitau, 2018). They are frameworks of strategies or tactics on which an organization relies to achieve its goals (Modibbo, 2015). Internal control models help to reduce expenditures while increasing earnings. County governments are using leakage reduction measures, and internal control systems remain critical for preserving organizational resources (Cheruiyot et al. 2018).

According to Marwan and Moeljadi (2017), the county government's financial success is assessed by budget absorption in accordance with county government projections, collected revenue, and its capital expenditure to recurring expenses ratio. In contrast,

Ogilo and Swaleh (2018) assert that the development index, adherence to the set budget, and the percentage of goals met represent the county government's financial performance. Additionally, it is demonstrated by strict internal control guidelines and practices regarding the use of funds.

According to Dodaro (2020), dependable internal control measures like audits and evaluation carried out by the Government Accountability Office have led to an increase in financial accountability inside the US Congress. Internal control measures have increased accountability over USA national operations, financial position, and fiscal strength while being monitored by the Government Accountability Office. These policies' ramifications continue to be observed today. So far, enhanced accountability and openness in public finance management have been observed as a result of a critical audit feature in Rwanda and Nigeria (Nwaobia et al, 2016). Internal audit independence improved accountability in Nigeria's Adamawa State (Modibbo, 2015). The Ghana Income Authority's excellent degree of financial security is also due to efficient supervision as part of the internal oversight structure (Agbenyo, Jiang & Cobblah, 2018).

1.2 Statement of the Problem

This research was based on the assumption that strong internal controls are required to provide efficient and transparent financial administration. The research would be based on the premise that effective financial management is essential for the long-term development of county governments, and internal controls are crucial to accomplishing this goal. The research would be driven by the notion that internal control measures such as policies and procedures, internal audits, budgetary controls, and monitoring systems are critical for discovering and avoiding financial management fraud, mistakes, and anomalies. The philosophy would also emphasize the need for internal controls to facilitate compliance with legal and regulatory requirements and enhance accountability and transparency in financial management (Johnsons, 2016).

According to a research by Ogachi (2016) on influence of IFMIS use in Homabay county, the study revealed that county lacked various strategic approaches to IFMIS deployment,

lacked strict internal financial oversight, and that the institutional framework in place in the county wasn't able to give room for IFMIS use. According to the report on there has been repeated theft of cash, as well as a lack of adequate control systems and effective financial management in the Homabay county government, resulting in poor service delivery and waste of funds. Against this backdrop, that this study was in Homabay County. A study by Magani (2018) highlighted that corruption and poor local administration may induce a misappropriation of decentralized funds and resources, worsening the effectiveness of public service delivery as was the case for the County government of Homabay. The existing challenges in Homabay County, as revealed by previous research, including a lack of strategic approaches to IFMIS deployment, weak internal financial oversight, and an institutional framework that hinders IFMIS utilization, necessitate an in-depth investigation. The reported theft of funds and inadequate control mechanisms in the county have led to poor service delivery and the mismanagement of funds, further emphasizing the urgency of this study. Results from this study will contribute valuable insights to address the identified issues and improve financial management practices within county governments, particularly in Homabay County.

1.3 Research Questions

This research was based on the following pertinent questions;

1. How does monitoring influence financial management of Homabay County?
2. How does internal audit influence the financial management of Homabay County?
3. How does automation influence financial management of Homabay County?
4. To what extent does budgeting controls impact financial management of Homabay County?

1.4 General Objective

This study purposed to investigate the impact of internal control on the financial management of the Homabay county government.

1.4.1 Specific Objectives of the Study

The following objectives guided the research;

1. To establish the influence monitoring on financial management of Homabay County.
2. To determine the effect of internal audit on financial management of Homabay County.
3. To determine the effect of automation on financial management of Homabay County.
4. To find out how budgetary controls influence the financial management of Homabay County.

1.5 Justification of the Study

The significance of internal control systems in improving the financial performance of county governments will be emphasized by this research. The study helps county governments manage their budgets by using adequate internal control measures. It will assist counties in setting employee duties for those working in finance-related industries in county governments, as well as securing counties' authorization for each monetary transaction. The outcomes of the study will assist in the establishment of informed procedures and recommendations aimed at attaining successful internal control processes. Counties may also create budgets in the most efficient way possible while adding the necessary personnel to guarantee sound financial management. The counties will also be equipped to track how much they borrow in order to ensure that current expenditure is less than money earned or received from the federal government, therefore improving their financial position.

County governments will benefit more if they ensure that all financial transactions are correctly recorded and accounted for, resulting in good governance decisions supported by high-integrity, demonstrable financial records. The study's findings will assist county governments in identifying financial system vulnerabilities and the best strategies to address them, therefore improving the efficiency and reliability of the systems used to manage county financial resources.

This research would also aid scholars by providing information on Kenyan county administrations' internal control systems and financial management practices.

1.6 Scope of the Study

Research focused only on the four internal control components of monitoring, automation, internal audit, and budgeting controls that affect financial performance in Homabay County. As a result, the study focused on the following financial management practices: 20 county auditors, 20 internal control officers, 30 county staffs involved in budgeting, 30 county taxation staff members, and 20 county M&E officers. The research was conducted over a five-month period, from June to October 2023.

1.7 Operational Definition of Key Terms

Internal Control – Horrigan (2019) defines internal controls as "the policies, processes, and practices that an organization implements to ensure the correctness, completeness, and accuracy of its financial reporting." This research defines internal controls as monitoring, internal audits, automation, and budgetary controls.

Financial Management – This refers to the practice of controlling financial resources in a way that is efficient and effective. In this study, financial management is defined as increased income, less pilferage, financial self-sufficiency, and decreased budget variations.

Internal Audit – Internal audit is described by IIA (2021) as an activity that adds value and improves a company's operations while maintaining impartiality and independence. This research defines internal audit as the frequency of audits, the formation of audit committees, the inspection of audit reports, and the verification of accounting entries.

Financial Monitoring- Financial monitoring, according to Sarkar, P. (2018), is the process of recording and evaluating financial activity in order to detect possible hazards and that it complies with laws and regulations. This is defined in this research as the monitoring of county expenditures, financial transactions, file movement, and county indebtedness.

Budgetary controls – Budgetary controls, according to Drury, C. (2018), are the procedures and processes that an entity uses to manage its financial assets in accordance with its budget. These controls for this study include staff budgeting training, stakeholder participation, approvals, and county staff budgeting autonomy.

1.8 Organization of the Study

Five chapters made up the organization of the research. The study's history, research challenge, goals, and significance were outlined in Chapter 1 along with the study's objectives. In Chapter 2, the conceptual framework, study theories, and reviewed literature were emphasized. Chapter 3 provided an overview of the study technique, which comprised the research design, the population of interest, sampling procedures, the process of obtaining data, and data analysis. Chapter Four included the data presentation and findings. In chapter five, the study's conclusion, the summary of the results, and recommendations were emphasized.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter critically reviews, relevant literature. . It encompasses both a theoretical and empirical literature review. Equally, a conceptual framework will be highlighted.

2.2 Empirical Literature

2.2.1 Monitoring and Financial Management

Internal monitoring controls are important to county government functioning. These controls ensure that the county government's operations are efficient, effective, and accountable to the public. Effective monitoring controls help county governments achieve their objectives, manage risks, and comply with laws and regulations. One of the most essential internal monitoring controls for county administrations is the development and implementation of rules and procedures. These rules and procedures provide down the groundwork for the administration of county government programs, services, and activities (Githinji, 2018).

Kalmetova and Zhussupova (2021) investigated the association between internal monitoring quality and commercial bank performance in the United States. The Committee of Sponsoring Organizations (COSO) Internal Monitoring Framework is used in the study to classify detected control shortcomings. The study's conclusions indicate that acknowledged shortcomings in internal tracking systems have detrimental impact on performance of banks. Monitoring operations had the greatest influence on the

profitability of the Vietnamese pharmaceutical businesses (Nguyen, 2021). This might be because effective monitoring and experience, have a positive influence on overall corporate performance for pharmaceutical enterprises (Nguyen, 2021).

Alemu (2020) demonstrated that Ethiopian soft drink producers reconciled their cash balance accounts with their actual cash flow. Due to insufficient oversight, the majority of business purchases weren't documented, hence cumbersome to estimate the actual value of the assets and giving inspectors little information about the assets. Kasoga (2020) asserts that the Tanzanian Local Government Authorities' procedure for collecting revenue involves various internal audits, supervisory activities, and regular management responsibilities as a consequence of monitoring operations. The study found that Tanzanian Local Government Authorities' ability to levy taxes is considerably improved by a system for internal oversight.

The financial successes of religious Societies in Kakamega County, as a result of internal monitoring techniques were studied by Andove (2019). An assessment of the data revealed that monitoring activities are responsible for 44.6% of the variation in financial outcomes. In their 2017 study, Kabue and Aduda looked into how internal controls help commercial banks in Kenya identify and stop fraud. According to the conclusions, reconciliation control has a weak but significant negative relationship with the degree of fraud detection and prevention.

Asiligwa (2017) looked at internal control systems in Kenyan banks and the relationship between monitoring and bank's profitability. She found a positive correlation between monitoring and commercial bank profitability. Since the administration of funds was not covered, there is a conceptual vacuum. Hillary (2021) focused on Kenya's Ministry of Foreign Affairs while evaluating how internal operations influence service delivery in government agencies. The study concentrated on how the Kenyan Ministry of Foreign Affairs' performance was impacted by the risk assessment, communication strategies, and monitoring. According to the study, all areas of internal control identified have a favorable

impact on performance and are effective. Since this study was done in the Ministry of Foreign Affairs, there was a gap.

According to Magani (2018), weak local management and corruption can lead to the embezzlement of decentralized finances and resources, affecting the effectiveness of public service delivery, as it did for the County government of Homabay. The study by Ogachi (2016) regarding aspects influencing adoption of IFMIS in Homabay County resulted in the following conclusions: the county did not have different strategic approaches for implementing Integrated Financial Management Information System (IFMIS), it lacked strict internal control over finances, and its organizational structure was unable to accommodate IFMIS use because of pressure from politicians.

2.2.2 Internal Auditing and Financial Management

Internal audit, according to Tuovila (2021), is the process of analyzing and assessing an organizations or entities internal controls to verify compliance with legal and regulatory requirements. Internal audit is also in charge of evaluating and improving the organization's corporate governance and accounting processes to guarantee accurate and on time data collection and reporting on finances. Internal audits, according to Tuovila (2021), also offer managers with the instruments they need to boost operational effectiveness by detecting problems and fixing gaps before an external audit discovers them.

Alflahat (2017) evaluated the implications of internal inspections on Jordan Telecom's effectiveness. According to data analysis, internal audit has a significant impact on organizational performance. This research focused on a Jordanian corporation, but the current study was in a Kenyan county government. The research demonstrated that internal audit contributed to improving the allocation of duties and responsibilities. Every employee's activity, including that of the management, was examined throughout the audit, and if necessary, the auditors made note of the requirement for specialized labor for a certain task. Thus, there is a division of work. This made it easier to allocate duties to inactive workers or those who weren't performing their jobs well.

Moudden's (2020) research focused on internal auditing and its significance in the success of public organizations and businesses. The study focused on Morocco and its modernization programs aimed at expediting the country's growth. These projects' costs and public spending are supervised by public agencies that have implemented new public financial governance. In managing public finances, these public entities rely on moral personality and financial autonomy. The public institutions have utilized financial management measures that are critical to the state, public institutions, and businesses to guarantee that expenditures and expenses are within budget. Internal auditing guarantees the effective and efficient use of public funds which improves performance in government agencies. Study's sources of information in terms of respondents and data collected, as well as how it was processed, are unknown.

Jepkemei (2016) did a study about monetary performance of Kenyan counties as a result of internal auditing practices. Main objective was to look at the connection between financial auditing efficiency in the counties. It was found out that departmental institutional structures and the staff's competence are both necessary for the auditor to be effective in developing a systematic plan to examine and enhance the efficiency of risk administration in county government. The technical expertise of audit staff members as well as the audit structure are critical to financial management. This study only tested internal functions as a control process; it did not test monitoring, automation, or budgetary controls, which are important internal controls that considerably aid in financial performance.

2.2.3 Automation and Financial Management

Several county governments have spent money on computerized systems for collecting taxes that turned out to be fraudulent. Despite the national governments pledge of free e-revenue, county administrations squandered Sh18.8 billion on fraudulent electronic payment systems (Githinji, 2018). The Ministry of ICT has previously provided these similar systems without charge. Counties have turned to collection and expenditure of

taxes at collection locations rather than sending the money to the central bank for distribution as a result of the failure of the e-revenue collection systems.

A lot of research on the implications of automation on financial management have been undertaken globally. For example, Yang and Lee (2019) conducted research on the influence of automation on public accounting. The study looked at the effect of automation on accounting methods in county governments in the United States. We used descriptive statistics and correlation analyses. The authors found that the use of automation was associated with improved efficiency in accounting practices, including accounts payable and receivable, payroll processing, and financial reporting. Another study by Patra, Pradhan, and Panda (2019) examined the effectiveness of e-governance implementation, including automation of financial management practices, in Indian municipalities. The authors found that e-governance implementation was associated with improved financial management practices, including better financial reporting and budgeting.

Ndonye (2018) examined variables influencing revenue collection and spending in the Nigerian ministry of state for immigration. The survey found that 65% of those polled agreed that filling out online applications is difficult for those looking for the service owing to a lack of technological understanding, making it difficult for the ministry to collect money. The research also identified a number of obstacles to tax collection, including the lack of expertise among revenue personnel regarding the use of ICT, ministry staff's opposition to change and lack of sufficient ICT infrastructure within the ministry. The study, however, concentrated on elements that influence income collection. The study's reporting was somewhat biased since factor analysis, which can be used to separate specific elements like technological expertise, was not used.

Kimali et al. (2018) conducted a survey regarding the impact of electronic taxation on Tanzania's economic development. The study found that the use of integrated computerized tax systems has significantly increased tax obligation revenues. In addition, income subject to tax obligations rose with the implementation of the consolidated tax

system. As a result, the study recommended that the federal government hold additional enlightening seminars across Tanzania to raise awareness of how to use the system's digital solutions.

The impact of ICT on the operation of supermarkets in Nairobi was examined by Gitau (2018) in his research. The study's descriptive approach and sample size of 55 supermarkets were both employed. The analysis found that efficient lines of communication, frameworks for collaboration, techniques for acquisition control, and personal inspections and practices all contributed to a shift of more than 50% in the economic impacts of supermarkets in Nairobi. The results of the study show how crucial IT systems are for improving performance. Musya (2014) investigated how internal oversight mechanisms affected financial accountability within Kenyan county governments. Control setup, uncertainty appraisal, evaluations, correspondence, and monitoring are effective in boosting financial responsibility, according to the investigation's findings.

Kosaye (2018) looked at the elements influencing revenue and monetary management for county governments in Marsabit. In order to minimize revenue collection expenses, raise revenue collection goals, and shorten the time spent on revenue collection, the research claims that simplifying revenue collection processes and improving internal audit controls are all crucial. Lessons learnt were meant to urge the county to spend more money on educating workers who can generate income and to advance the idea of putting in ICT and facilities so that the county may profit in the long run from its own revenue mobilization.

2.2.4 Budgetary Controls and Financial Management

Budgetary control is a technique for controlling costs that entails developing budgets, setting up departments and responsibilities. Budgetary control also refers to the method managers employ to compare projected results to actual results, make performance changes, and match financial and accomplishment of goals with budgets (Maina, 2017). Public institutions use a variety of budget types. Among them are Balanced Budget: As the term implies, a balanced budget is one that is neither surplus nor deficit-ridden. The

amount of money coming in equals what is being spent. Revenue Budget: This is simply a breakdown of the amount of money the government gets from taxes and other sources, as well as the expenses that are covered by that money. Performance funding: Ministries and organisations that engage in developmental initiatives are the main users of this kind of funding. This budgeting technique ensures cost-effective and efficient planning by accounting for the program's performance or final product. Finally, there is no denying the benefits of a zero-based budget when it comes to the prudent and impartial distribution of scarce resources.

A research on the effect of financial controls on managerial behaviour in the Swedish federal government was carried out in 2013 by Hemsing and Baker. They recruited 63 CEOs from diverse Swedish cities and institutions. The results show that in the Swedish public sector, the great majority of local leaders are subject to strict financial restrictions. A research on the impact of budgetary oversight on the viability of the Serena Hotel in Rwanda was conducted by Harelimana (2017). Its goals were to assess the hotel's budget management strategies and its financial performance. Analytical research methods were employed in the study. The study's findings showed a positive association between the variables. The previous research examined planning and control as tools for managing the budget, but it did not consider the participation of major stakeholders from across departments, which is what this study sought.

Agbenyo, Danquah, and Shuangshuang (2018) claim to have conducted study on how budgetary constraints affect Ghanaian production companies. In particular, the study aimed to investigate the role of budgeting and evaluate the effect of budgeting on these businesses' financial performance. The research study's sample size of fifty-three individuals was chosen using both cross-sectional and practical sampling procedures. The study found that listed manufacturing enterprises' financial performance is significantly influenced by budgeting.

In the Kinondoni District of Dar Es Salaam, Stuart et al. (2015) evaluated the effects of budgetary constraints on the financial performance of certain production companies.

Using a thorough study design, 78 respondents were chosen from the chosen industrial organisations. Financial performance was found to be significantly impacted by the formal budgeting control processes. More so than the official financial control, this strategy had a noticeable impact on the increase in sales for industrial institutions.

The administration of SME businesses in Kenya's Kangemi Town was the subject of a study by Kerosi (2018). The attitudes of the study population were categorized and documented using a descriptive survey design. Out of 160 registered small and micro firms, 75 were chosen as a sample. A positive correlation between management in micro- and small firms and budgetary control procedures, according to the study. Due to the fact that this study will use performance-based budgeting, none of the independent variables under analysis have ever done so, there is a vacuum in the literature. It also concentrated on micro and small businesses rather than county governments.

2.3 Theoretical Framework

Theories are developed to elucidate, foretell, and comprehend phenomena, in addition to challenging and outspreading current knowledge, all within the restraints of the grave bounding assumptions. Constructing hypotheses to support an investigated argument is part of developing a theoretical framework. A hypothesis is an explanation for an observed occurrence over time (Nyonje, 2015). Resource-based view theory guided the study.

2.3.1 Resource Based View (RBV) Theory

Barney proposed this theory in 1991. It argues that, organizations are differently endowed resource wise. According to the theory, due to differences in resource endowment, each business employs distinct techniques to gain a competitive edge. This suggests that organizations with more resources use management practices that result in superior performance when compared to competitors.

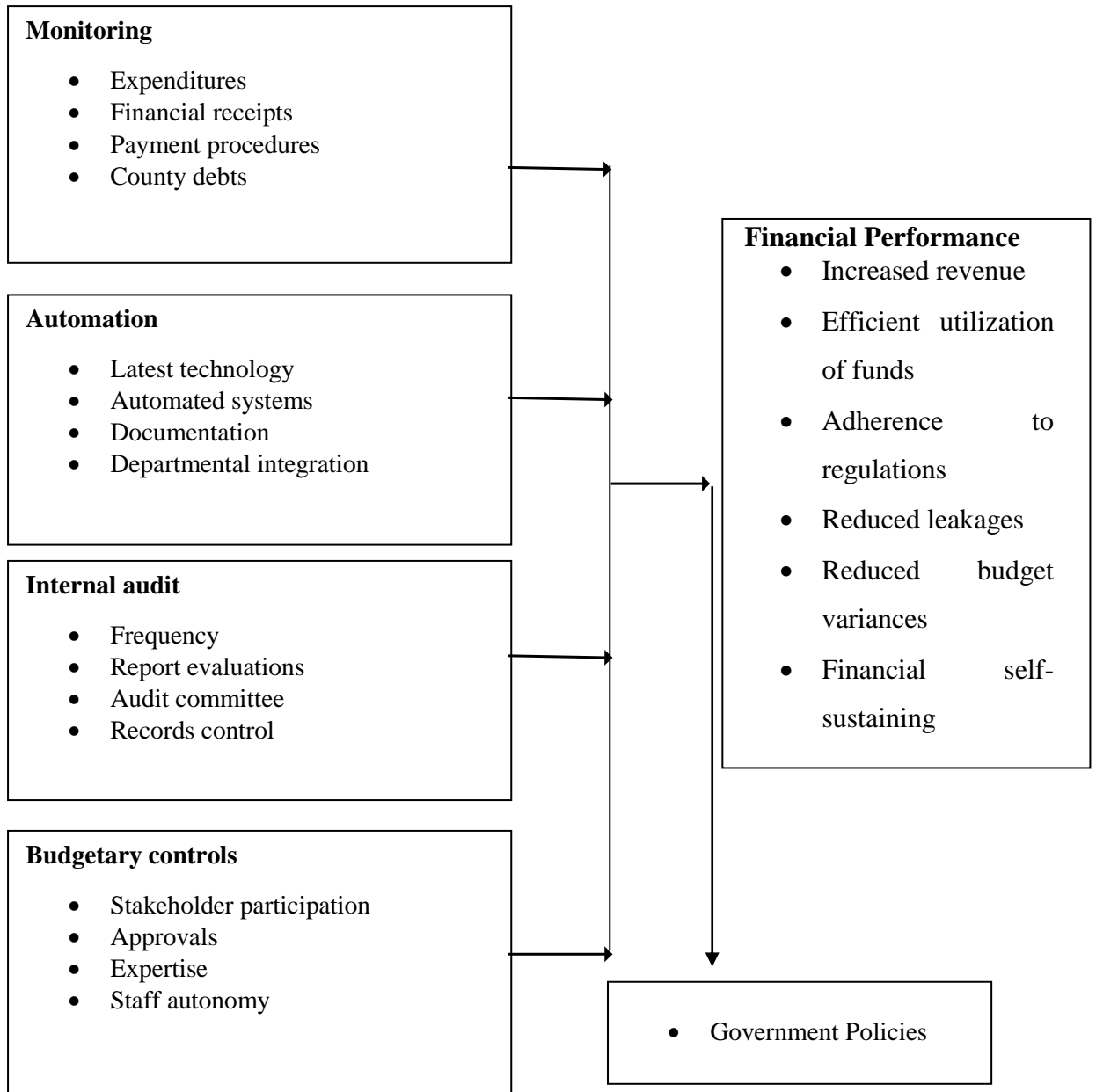
With regard to decentralized government's structures, counties have a wide range of resources. As a result, each county uses management strategies in accordance with the

resources they possess. This results in various financial outcomes. Counties with abundant resources would employ a variety of financial management strategies to enhance their financial performance. To put it more accurately, the county government's internal auditing will be strengthened, leading to better financial performance (Huang, 2016). RBV has been criticized for not always producing a competitive advantage due to different resource endowments. In this regard, a company utilizing managerial techniques may have a higher endowment of resources but perform less well than anticipated. On the contrary, Kurgat (2015) used RBV to look at the strategies and issues of strategic leadership at the Nandi county government. According to Yussuf (2016), resource-based theory may be used in counties to examine how management practises affect financial performance when analyzing how Mandera County's plan is being carried out. The effect of internal auditing, control systems including automation, budgeting, and monitoring on Homabay County's financial performance was explained by the Resource Based Theory (RBV). This theory was relevant as it stressed the need for the county government of Homabay to harness its resources to strengthen the auditing department, monitoring teams and also employ use of automated systems to improve its financial performance and give it a competitive advantage over other counties in terms of service delivery and investment destination.

2. 4 Conceptual Framework

Independent Variable

Dependent Variable



Source: Researcher (2023)

Intervening Variable

2.5 Research Gap

Many studies on financial performance have been carried out. For instance, Kerosi (2018) did a study on the influence of SME administration on the financial performance of the SME businesses in Kangemi town. According to the study, there was a positive correlation between budgetary controls and financial performance. The failed to tackle other aspects of internal controls such as financial automation and internal audits that this research investigated. Another study by Kosaye (2018) investigated the variables affecting income and financial administration for county governments in Marsabit. According to the report, streamlining revenue collection procedures and strengthening internal audit controls are all essential to lower revenue collection costs, increase revenue collection objectives and reduce time spent on revenue collection.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The approach used to conduct the study is explained in this chapter.

3.2 Research Design

A combination of correlational and descriptive survey research designs was used to accomplish the study's goals. According to Harris, Holyfield, Jones, Ellis, and Neal (2019), research design is the structure that directs the gathering and examination of data for a study. This framework made it easier to investigate questions about the what, why, when, and how of the identified problem. According to Liamputtong (2019), the descriptive design was essential in providing a thorough description of the data and characteristics relevant to the research population. This approach was helpful in clarifying a number of aspects of the phenomena and the traits of the sample group. Its use contributed to the data collection process that yielded comprehensive answers, improving the study's comprehension of the issue being investigated. Concurrently, the correlational design played a crucial role in examining the connections between the variables in the research.

3.3 Target Population

A population is any collection of people, things, or events that share common characteristics and are readily observable (Strijker, Bosworth & Bouter, 2020). Target population, according to Saunders et al. (2014), is the entire collection of people or things with the same qualities that the researcher is looking at. This study's target population included individuals who carry out the following financial oversight tasks: 10 nationally treasury officials, 20 county auditors, 20 county revenue collectors, 30 budget making officers, and 20 M&E officers (County Government of Homabay, 2023).

Category	Target Population	Percentage
Auditing staff	20	15%
Budgeting staff	30	23%
Revenue staff	30	23%
National treasury staff	10	9%
Monitoring staff	20	15%
Internal controls	20	15%
Total	130	100%

Source: Researcher (2023)

3.4 Sample Size and Sampling Procedure

This is a group of subjects collected or chosen from a larger group or population of cases, generally with the goal of estimating characteristics of the larger group or population, and the number of cases investigated is referred to as sample size (Cramer & Howitt, 2007). The sample size was calculated using Yamane's (1967) formula.

Equation 1: Determination of sample size equation

$$n = \frac{N}{1+N(e^2)}$$

Where;

n = Sample size; **N** = Total population; **e** = 5% error.

Therefore;

$$n = \frac{130}{1+130(0.05^2)}$$

n = 99 respondents

To enhance the sample's representation, stratified random sampling was adopted. The sample consisted of 15, 15, 24, 24 and 15 respondents from auditing, internal controls,

budgeting, revenue department, and monitoring, respectively. These people were chosen at random using the random sampling approach.

This is highlighted in table 3.2 below:

Population	Sample size
Auditing staff	15
Budgeting staff	23
Revenue staff	23
National treasury staff	8
Monitoring staff	15
Internal controls	15
Total	99

Source: Researcher (2023)

3.5 Data Collection Methods and Procedures

Open ended and close ended questionnaires were administered to respondents to get general information and individual perspectives. A questionnaire is described by Marvasti (2018) as a document that has several things in the form of questions with a predetermined order. The questionnaire was chosen because it offered the opportunity to collect data from a large number of respondents in a condensed amount of time. The questionnaire's versatility in allowing the research to target certain responders was another factor that encouraged its usage. The process of giving the research participants the questionnaire was likewise rapid and inexpensive. Kumwenda, (2015) pointed out that questionnaires collect information from a wide sample, save time, maintain anonymity, and eliminate the possibility of interview bias. Structured questionnaires aid in keeping respondents on track, resulting in useful data for the research. Structured surveys are quick to complete since possible responses to questions are presented (Sekaran & Bougie, 2011).

3.5.1 Pilot Study

A pilot study is a practice run and duplicate of the primary investigation that will be carried out. Its main goal is to identify any potential flaws in the survey and questionnaire methodologies (Thanem & Knights 2019). According to Privitera and Ahlgrim-Delyell (2018), a pilot research with a 10% anticipated sample for the parent inquiry as a whole can be carried out. As a result, 10 respondents from the Migori County administration were specifically chosen to participate in the pilot research. Through this pilot test, the researcher was able to identify and address any potential issues with the instrument used to collect participant data. These worries included unclear, confusing, or uncomfortable questions for the responders.

3.5.2 Instrument Validity

This is established by how well research instruments measures and executes the intended functions (Biddix, 2016). The validity of the face, content, and constructs were assessed in this study. Face validity was based on earlier tests that showed the study instrument was trustworthy. By creating the study questionnaire with the variables and their recognised indicators in the conceptual framework as a reference, the content validity of the questionnaire was examined. The questionnaire's questions were limited to how the research variables had been conceptualised in order to ensure construct validity. Determining the content validity of the instrument involves ensuring that every item on the instrument assesses the intended purpose. The instrument was carefully examined by my project supervisor to make sure it appropriately met the study's goals.

3.5.2 Reliability of research instruments

This pertains to the degree of neutrality in the research tool's implications, which is typified by a high degree of consistency throughout the tool's diverse applications (Ghauri, Grønhaug & Strange, 2020). The test-retest approach was used in the study to assess the questionnaire's reliability. The questionnaire was given to the pilot group twice a week in this respect. Correlation coefficient values were generated and interpreted suitably in order

to ascertain the correlation between the data in the two intervals. As a general rule, a correlation coefficient between 0.8 and 0.9 indicated high dependability.

3.6 Data collection

A research permit was sought from the National Commission for science and technology and innovation to be allowed to collect the required data. Consent from Homabay County was also sought. The researcher contacted the respondents and personally informed them about the impending study. They were first given spoken instructions or explanations before being given questionnaires to complete during data collection. The questionnaires were self-administered, with only occasional assistance from a study assistant.

3.7 Data analysis technique

Data was coded and analysed using SPSS version 22. These data were presented using tables that included applicable statistical averages and measures of dispersion. In order to understand how the variables linked to one another, an analysis of descriptive nature was conducted on the closed-ended questionnaire data.

3.8 Ethical Issues

Participants were assured that the researcher was to only use their information for academic reasons while the researcher was gathering data from them. Where required to avoid violating the respondent's privacy, informed consent was requested. This was to protect respondents from mental, physical and social torture and they participated in the study at their free will. The researcher adhered to the principle of anonymity as their identity was hidden from the researcher. Confidentiality of the information provided by study participants was maintained.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction

The study results are presented throughout the chapter as tables, which are subsequently interpreted. The conclusions are arranged in accordance with the particular objectives.

4.2 Questionnaire return rate

As shown in Table 4.1, 92 questionnaires (93%) were duly returned from the dispersed questionnaires. This return rate was high as the researcher personally visited all the sampled population and thus was able to request them to fill the questionnaires and have them returned. The National Treasury officials were all available for the interview schedule.

Table 4.1 Response Rate

Category	Frequency	Percentage
Returned	92	93
Not returned	7	7
Total	99	100

4.2 Reliability Results

The researcher used the completed questionnaire to generate the Cronbach Alpha Coefficients. Table 4.2 displays the compiled findings.

Table 4.2: Reliability Results

	No. of Items	Cronbach Alpha Coefficient
Financial Performance	5	.843
Financial Monitoring	4	.891
Automation of services	5	.833
Internal Audit	4	.783
Budgeting Controls	4	.792

According to Table 4.1, all of the variables had Cronbach Alpha Coefficients greater than 0.7, indicating that the scale utilized in the questionnaire's design was reliable. This is consistent with Yin (2017)'s recommendation of 0.7 and above as the criterion for deciding on reliability.

4.3 Demographic characteristics of participants

The research collected personal information about the respondents.

4.3.1 Age of the respondents.

This is important because it enables us to assess whether the responders were evenly dispersed.

Table 4.3: Distribution of respondents by age

Age	Frequency	Percent
20-29	16	17.3
30-39	34	37
40-50	27	29
Above 50	15	16.7
Total	92	100

From the above data, the ages of the participants were spread among several categories. The majority of responders (37%) were between the ages of 30 and 39. This age group has the highest representation among participants. Furthermore, individuals aged 40 to 50 made up 29% of the total responses. A lesser proportion of participants, around 17.3%, were between the ages of 20 and 29. Finally, respondents above the age of 50 accounted for 16.7% of all respondents. The distribution of participants across different age groups gives an understanding of the study's respondent makeup and shows potential differences in replies depending on age-related criteria such as experience, attitudes, and life stage.

4.3.2 Gender of the respondents

The gender of the subjects was taken into account in the study. This was required to calculate the ratio of male to female participants.

Table 4.4: Distribution of respondents by gender

Gender	Frequency	Percentage (%)
Female	33	35.8
Male	59	64.2
Total	92	100.0

The table shows that male respondents made up the majority (64.2%) while female respondents made up 35.8%. This demonstrates that survey participants of both genders

took part. Gender has an impact on how people perceive their surroundings in social and biological ways. Men and women view the world and their lives from different angles.

4.5 Financial performance of Homabay County

In order to evaluate the success of Homabay County, five components were presented to respondents as financial performance indicators. Participants were asked to rate statements on a Likert scale from strongly agree (5) to strongly disagree (1) using a 5-point category system. Based on the percentages, averages, and standard deviations, Table 4.5 further assessed and summarized this data.

STATEMENTS	5	4	3	2	1	Mean	SD
There is increased revenue as a result of internal financial controls.	18.7%	21.6%	14.7%	29.7%	15.3%	3.33	0.512
There is efficient utilization of resources at the Homabay County.	13.3%	17.3%	15%	35%	19.4%	2.66	0.821
The county government of Homabay adheres to the financial regulations.	23.6%	31.3%	11.3%	16.1	17.7%	3.74	0.704
There are reduced budget variances at the Homabay County.	24%	36%	15.3%	16.4%	8.3%	4.1	0.736
The County government of Homabay is financially self-sustaining.	10%	16%	15.3%	38.4%	20.3%	2.31	0.746
Composite/Average mean						3.23	0.704

Table 4.6: Financial performance of Homabay County

N=92

Table 4.5 focuses on the financial performance of Homabay County. Based on the findings, the study participants disagreed that there is increased revenue as a result of internal financial controls (Mean=3.33, SD=.512). The participants also disagreed that

there is effective resource management at the Homabay County (Mean=2.66, SD=.821). Participants agreed that the county government adheres to the financial regulations (Mean=3.74, SD=.704). Additionally, they agreed that there are reduced budget variances at the county (Mean=4.1, SD=.746). Lastly, respondents disagreed that the county government of Homabay is financially self-sustaining (Mean= 2.31, SD=.746).

The average of the means of all the statements is 3.23, indicating a somewhat positive assessment of the financial performance of Homabay County.

Based on the statistics in the summary table, the following conclusions about Homabay County's financial performance may be established: The respondents appear to be split on the impact of internal financial controls on financial performance. Despite the fact that a large part of the population strongly disagrees, the mean score exceeds the neutral mark. This implies that a lot need to be done by the county concerning the construct.

Most participants disagreed with the construct on efficient utilization of resources with the mean of 2.66. The third construct sought to establish whether the county government of Homabay adhered to the Kenyan financial regulations. The construct mean implies that the county followed all the required financial laws (mean: 3.74). The fourth construct sought to establish whether there were reduced budget variances. From the mean of 4.1, it's believed that the county had reduced budget variances. Finally, respondents had a negative view of the county's financial self-sufficiency. The mean score is far below the neutral mark, showing that a significant percentage opposes or strongly disagrees with the county's ability to support itself financially. This underscores a key difficulty that the county must overcome in order to restore trust in its financial stability.

4.6 Financial monitoring and financial performance of Homabay County

This objective's goal was to find out how financial monitoring affected Homabay County's financial viability. The responses evaluated how well the claims of financial monitoring matched Homabay County's financial performance.

Table 4.7: Financial monitoring

STATEMENTS	5	4	3	2	1	Mean	Std. Dev.
There is effective monitoring of county expenditures by internal auditors	20.7%	32.6%	19.4%	16.7%	10.6%	3.82	0.737
All financial receipts are closely scrutinized and kept for accountability	20%	35%	18%	17.3%	9.7%	3.92	0.771
There is monitoring of all payments done by the county to its suppliers.	14.1%	19.3%	14.3%	34.3%	18%	2.82	0.785
There is effective monitoring of county debts for effective debt management.	20.7%	34.3%	19.3%	15.7%	10%	3.71	0.721
Composite/Average mean						3.57	0.754

N=92

Table 4.7 presents the findings. The respondents generally agree that there is effective monitoring of county expenditures by internal auditors. A greater percentage of respondents are positive about this aspect. The mean score of 3.82 suggests that, on average, respondents lean towards agreement. Respondents agree (mean 3.92) that all financial receipts are closely scrutinized and kept for accountability purposes. The respondents, however, have a relatively negative perception of the monitoring of payments made by the county to its suppliers with a mean score of 2.82. Lastly, Respondents generally agree that there is effective monitoring of county debts for debt management. Around 20.7% strongly agree and 34.3% agree with this statement. The mean score of 3.71 indicates a moderate level of agreement.

The mean composite of all constructs is 3.57. This shows that respondents in Homabay County believe financial monitoring is fairly efficient on average. In summary, the findings show that participants have a generally positive impression of Homabay County's financial monitoring practises. While there are certain areas where respondents disagree, such as monitoring supplier payments, the majority of respondents think that financial monitoring is effective for county spending, financial receipts, and debt management.

4.6.2 Correlation between financial monitoring and financial performance of Homabay County

This was to investigate the association between financial oversight and Homabay County's financial performance.

Table 4.7.1 Correlation for financial monitoring and financial performance of Homabay County

		Financial performance of Homabay County
Financial monitoring	Pearson Correlation	.733**
	Sig. (2-tailed)	.000
	N	92

An association of 0.733 between financial performance and financial monitoring in Homabay County is indicated by Table 4.7.1. This implies that the county's financial performance increases with the effectiveness of financial monitoring. Because the significance level is less than 0.01 this association is highly significant. Many studies have revealed that organisations that have tight financial controls, regular expenditure monitoring, and adherence to financial regulations have higher financial performance metrics such as profitability and efficiency. Internal control and corporate governance research emphasizes the significance of effective financial monitoring procedures. Strong internal control systems are associated with increased financial reporting accuracy,

decreased fraud, and enhanced financial performance in organisations. Governance frameworks like the COSO Internal Control Framework emphasize the role of monitoring in achieving financial objectives. This finding is also consistent with the interview schedule report from the National Treasury ministry officials who underscored the significance of monitoring financial transactions. They noted that audits, whether internal or external, play a role in evaluating financial controls, ensuring compliance with regulations, and improving financial performance by identifying areas for improvement. This result is also consistent with a number of studies for instance Kalmetova and Zhussupova (2021) investigated the association between internal monitoring quality and commercial bank performance in the United States. The COSO Internal Monitoring Framework is used in the study to classify detected control shortcomings. The study's conclusions indicate that acknowledged shortcomings in internal tracking systems have a detrimental impact on how banks performed. According to Nguyen (2021), monitoring operations had the greatest influence on the profitability of the Vietnamese pharmaceutical businesses. This might be because effective monitoring and experience, have a positive influence on overall corporate performance for pharmaceutical enterprises.

4.6.3 Regression Analysis for financial monitoring and financial performance of Homabay County

The study employed a coefficient of determination (R²) using regression analysis to ascertain if financial monitoring was a significant predictor of Homabay County's financial success.

Table 4.7.2 Regression analysis for financial monitoring and financial performance of Homabay County

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1	.733 ^a	.684	.601	.565
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Predictors: (*Constant*), financial monitoring, Dependent variable: Financial performance of Homabay County

The correlation analysis in Table 4.7.2 reveals a robust positive correlation ($R = 0.733$) between financial monitoring and the financial performance of Homabay County. The R Square value of 0.684 indicates that approximately 68.4% of the variation in financial performance can be attributed to variations in financial monitoring, signifying a significant influence. The adjusted R Square, accounting for predictor variables, is 0.601, providing a more accurate assessment of the model's fit. An ANOVA test in Table 4.7.3 was conducted to determine the significance of financial monitoring as a predictor of Homabay County's financial performance.

Table 4.7.3 ANOVA of Financial monitoring and financial performance of Homabay County

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.345	1	91.345	112.625	.000 ^b
	Residual	111.117	91	.674		
	Total	202.462	92			

a. Dependent Variable: Financial performance of Homabay County

b. Predictors: (*Constant*), Financial monitoring

In Table 4.10, the statistical analysis [$F(1, 91) = 112.625, P < .05$] underscores the substantial impact of financial monitoring on Homabay County's financial performance, establishing it as a significant predictor. The sum of squares linked to the regression model is 91.345, representing the explained variability in financial performance by financial monitoring. The low p-value ($p < .000$) from the ANOVA results strongly indicates that this influence is highly unlikely to be random chance, reaffirming the robust positive relationship between financial monitoring and financial performance in the county.

4.7 Automation of services and financial performance of Homabay County

The study sought to establish whether automation of services of the county determines financial performance of Homabay County.

Table 4.8: Automation of services and financial performance of Homabay County

STATEMENTS	5	4	3	2	1	Mean	Std Dev
The county government of Homabay uses latest technologies in its operations	27.7%	40.6%	10.4%	12.7%	8.6%	4.35	0.687
There is automated financial reporting in the county government of Homabay.	15%	16%	20%	31.3%	18.7%	2.43	0.832
Use of automated financial systems aids in increased revenue and its accountability.	12.1%	15.3%	14.3%	32.3%	25%	2.34	0.662
There is departmental integration of services as result of automation.	23.7%	30.3%	16.3%	15.7%	14%	3.81	0.687
Composite/average mean						3.23	0.717

N=92

The focus of this section is automation of services and financial performance of Homabay County. The majority of respondents have a positive view of the county government's use of modern technology in its operations. The high mean score of 4.35 indicates that a sizable proportion of respondents agree with this construct. Second, majority of the respondents disagree (mean: 2.43) on the availability of automated financial reporting in

county government. This shows that there may be a lack of clarity or agreement on the scope of automated financial reporting. Respondents also disagree (mean: 2.34) about automated financial systems' favorable impact on increasing revenue and accountability. Lastly, respondents generally perceive that there is departmental integration of services as a result of automation. The high mean score of 3.81 suggests that a significant portion of respondents agrees or strongly agrees with this statement. This indicates that automation is seen as contributing to improved coordination and collaboration across departments.

The composite/average mean of 3.23 suggests that Homabay County residents have a relatively positive overall view of service automation. While some features of automation are viewed positively, others are viewed with skepticism. The standard deviations across the assertions indicate that respondents' degrees of agreement vary.

4.7.2 Correlation for Automation of services and financial performance of Homabay County

This was done to establish the connection between automation of services and the financial performance of Homabay County.

Table 4.8.1: Correlation for Automation of services and financial performance of Homabay County

		Financial performance of Homabay County
Automation of services	Pearson Correlation	.700 ^{***}
	Sig. (2-tailed)	.000
	N	92

A correlation of 0.700 shows a relatively strong positive correlation between automation of services and the financial performance of Homabay County. The high level of significance ($p < .01$) suggests that this correlation is statistically significant. The correlation analysis suggests that as the level of automation of services improves in Homabay County, financial performance also improves. This finding suggests a possible

link between adopting automation and having better financial outcomes. The findings could imply that efficient automation practises could contribute to streamlined processes, increased efficiency, and possibly improved financial performance for the county.

This finding is in line with a number of studies on the impact of automation. Yang and Lee (2019), for instance, studied how automation affects public accounting. The impact of technology application on accounting practises in US local governments was examined in this study. Descriptive statistics and correlation analysis were employed. The researchers discovered that increased automation was linked to more effective accounting procedures, such as handling payroll, accounting for items payable and receivable, and reporting on finances. Patra, Pradhan, and Panda (2019) looked at the efficacy of e-governance adoption in Indian local governments, including the automation of financial administration practises. The adoption of e-governance, according to the authors, was linked to better management of money techniques, such as more effective budgeting and reports on finances.

4.7.3 Regression analysis for Automation of services and financial performance of Homabay County

Regression analysis and the coefficient of determination (R²) were used in the study to ascertain the degree to which Homabay County's financial performance is impacted by the automation of county services. The purpose of this investigation was to determine if service automation was a significant predictor of the county's financial performance.

Table 4.8.2 Regression analysis for Automation of services and financial performance of Homabay County

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	.700 ^a	.611	.582	.435

a. Predictors: (Constant), Automation of services

According to Table 4.8.2, the R value is 0.700, indicating a strong effect of service automation on Homabay County's financial performance. With a R Square value of 0.611, it is possible that variations in service automation might account for 61.1% of the variations in financial performance. This demonstrates how significantly service automation affects financial performance.

Table 4.8.3 ANOVA of Automation of services and Homabay County Financial Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71.224	1	71.224	133.141	.000 ^b
	Residual	131.238	91	.441		
	Total	202.462	92			

a. Dependent Variable: Financial performance of Homabay County

b. Predictors: (Constant), Automation of services

From Table 4.8.3 where $[F(1, 91) = 133.141, P < .05]$ it is evident that automation of services influences financial performance of Homabay County and thus a significant predictor.

4.8 Influence of Internal audit on financial performance of Homabay County

The study sought to investigate how internal audit influences financial performance of Homabay County.

Table 4.9: Internal audit and financial performance of Homabay County

STATEMENTS	5	4	3	2	1	Mean	Std. Dev.
Internal financial audits are frequently done at the county government of Homabay.	14.7%	18.6%	12.4%	36.7%	17.6%	2.71	0.725
There is a strong audit committee with highly qualified individuals.	10%	13.3%	23%	27%	27.7%	2.41	0.801
The county internal audit team heavily relies on financial records while auditing the departments.	9.1%	14.3%	19.3%	34.3%	23%	2.50	0.755
The county government of Homabay evaluates the internal audit reports and recommendation necessary measures are always undertaken.	20.7%	30.3%	23.3%	12.7%	13%	3.61	0.727
Composite/Average mean						2.80	0.752

N=92

Table 4.9 presents the study results. Generally, respondents' opinions suggest that internal financial audits are not frequently conducted at the county government of Homabay with a mean of 2.71. Secondly, the responses indicate that there may be concerns about the strength of the audit committee and the qualifications of its members. The mean score of 2.41 suggests a relatively low rating by majority of the respondents. According to the third construct, most participants disagree that the county's auditing team heavily relies on financial records during audits (mean: 2.50). Lastly, the responses suggest that the county government of Homabay evaluates internal audit reports and undertakes necessary measures based on recommendations. The high mean score of 3.61 indicates that most participants agree with the statement.

The composite average mean for all the constructs is 2.80, which suggests a moderately neutral overall perception of the internal audit practices and their potential impact on financial performance.

4.8.2 Correlation for Internal audit and financial performance of Homabay County

To explore the link between internal audit and the financial performance of Homabay County, the Pearson Moment correlation coefficient was employed.

Table 4.9.1: Correlation analysis

		Financial performance of Homabay County
Internal audit	Pearson Correlation	.788**
	Sig. (2-tailed)	.001
	N	92

Table 4.9.1 indicates a statistically significant positive connection ($r=.788$ $N=92$ $p.01$) between Homabay County's financial performance and the impact of internal audit. The value of the correlation is fairly strong, at 0.788. This suggests that internal audit and financial performance have a very significant positive link. The correlation coefficients related significance level (p-value) is .001, which is less than 0.01. This suggests that there is strong statistical significance. The strong correlation coefficient suggests that internal audit practices and financial performance are closely related.

These are in line with a study by Alflahat (2017) who evaluated the implications of internal inspections on Jordan Telecom's effectiveness. According to data analysis, internal audit has a significant impact on organizational performance. This research focused on a Jordanian corporation, but the current study will look into a Kenyan county government. It also agrees with Moudden's (2020) research which focused on internal auditing and its significance in the success of public organizations and businesses. The

study focused on Morocco and its modernization programs aimed at expediting the country's growth. These projects' costs and public spending are supervised by public agencies that have implemented new public financial governance. In managing public finances, these public entities rely on moral personality and financial autonomy. The public institutions have utilized financial management measures that are critical to the state, public institutions, and businesses to guarantee that expenditures and expenses are within budget. Internal auditing guarantees the effective and efficient use of public funds which improves performance in government agencies. Study's sources of information in terms of respondents and data collected, as well as how it was processed, are unknown.

4.8.3 Regression analysis for internal audit and financial performance of Homabay County

This was done to ascertain whether internal auditing was a reliable indicator of Homabay County's financial performance.

Table 4.9.2 Regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 ^a	.682	.583	.463

a. Predictors: (Constant), Internal audit

The R value of .788 in Table 4.9.2 indicates that internal audit has a significant positive impact on Homabay County's financial performance. The internal audit variance may account for around 68.2% of the variation in financial performance, according to the R Square value of 0.682. This emphasizes how important internal audit is to financial success because a sizable amount of the observed variability is explained by the model.

Additionally, an ANOVA test was performed to determine the significance of internal audit as an indicator of Homabay County's financial performance.

Table 4.9.3 ANOVA of Internal audit and financial performance of Homabay County

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.03	1	93.03	103.133	.000 ^b
	Residual	109.432	91	.649		
	Total	202.462	92			

a. Dependent Variable: Financial performance of Homabay County

b. Predictors: (Constant), Internal audit

Table 4.9.3 shows that internal audit has a considerable impact on Homabay County's financial performance and is a significant predictor, with $[F(1, 91) = 103.133, P.05]$.

4.9 Budgeting controls and financial performance of Homabay County

The impact of this fourth aim on Homabay County's financial performance was investigated. To assess the impact of budgetary constraints on Homabay County's financial performance.

STATEMENTS	5	4	3	2	1	Mean	Std. Dev.
All county key stakeholders are involved in budget making.	13.7%	18.6%	14.4%	29.7%	25.6%	2.72	0.687
All budgets are sanctioned and approved by relevant authorities before expenditure.	27%	35%	10%	17.3%	10.7%	3.60	0.721
Budget making in every county department is done by individuals who have the expertise in budget making.	10%	12.3%	15.3%	37.3%	25.1%	2.35	0.735
There is staff autonomy in budget making as every department and staff are free to draft budgets.	12.7%	14.4%	22.3%	31.7%	18.9%	2.44	0.726
Composite/Average mean						2.78	0.72

N=92

This part concentrated on the budgeting controls and the performance of Homabay County. Table 4.10 displays the study findings. Respondents' opinions suggest that not all county key stakeholders are consistently involved in budget making. This is because of a low mean of 2.72. Majority of the respondents agree that budgets are generally sanctioned and approved by relevant authorities before expenditure (mean: 3.60). Thirdly, respondents' opinions reflect that there may be concerns about the expertise of individuals involved in budget making. The mean score of 2.35 suggests that majority of the participants disagrees that budget making is done by expertise's. Lastly, responses indicate that staff autonomy in budget making might not be uniformly observed with a low mean of 2.44. The composite average mean for all the constructs is 2.78, which suggests a

moderately neutral overall perception of the budgeting controls and their potential influence.

4.9.2 Correlation for Budgeting controls and financial performance of Homabay County

The scores for budgetary controls as an independent variable and financial performance of Homabay County were calculated using the Pearson Moment correlation coefficient to determine the relationship between the two.

Table 4.10.1: Correlation Analysis

		Financial performance of Homabay County
Budgeting controls	Pearson Correlation	.677**
	Sig. (2-tailed)	.000
	N	92

According to Table 4.10.1, there was a significant positive correlation between the financial performance of Homabay County and the effect of budgetary controls ($r=.677$ $N=92$ $p<.01$). The findings of the correlation study show a substantial and favorable link between Homabay County's financial performance and the effectiveness of its budgetary controls. The relatively strong correlation coefficient shows that greater financial performance is linked to efficient budgeting management. According to this conclusion, effective budgeting management procedures may immediately improve the county's financial results. These findings corroborate the findings of a 2013 research by Hemsing and Baker on the impact of strict budgeting controls on management conduct in the Sweden. They chose 63 CEOs from diverse Swedish cities and institutions using a descriptive survey approach. The results showed that most local managers in Swedish organizations require stringent financial limits.

4.9.3 Regression analysis for Budgeting controls and financial performance of Homabay County

As shown in Table 4.10.2, the study used regression analysis and a coefficient of determination (R²) to determine the impact of budgetary controls and if they were a reliable indicator of Homabay County's financial success.

Table 4.10.2: Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.677 ^a	.592	.532	.481

a. Predictors: (Constant), Budgeting controls

The R value of .677 in Table 4.10.2 shows a significant impact of budgetary restrictions on Homabay County's financial performance. The R Square value, which is .592, indicates that differences in budgeting controls account for around 59.2% of the variation in financial performance. This demonstrates the significant effect budgetary restrictions have on financial success.

The effectiveness of budgetary controls as a major predictor of Homabay County's financial performance was further examined using an ANOVA test.

Table 4.10.3: ANOVA of Budgeting controls and financial performance of Homabay County

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.16	1	76.16	120.110	.000 ^b
	Residual	126.302	91	.586		
	Total	202.462	92			

a. Dependent Variable: Financial performance of Homabay County

b. Predictors: (Constant), Budgeting controls

From Table 4.10.3 where $[F(1, 91) = 120.110, P < .05]$ it is evident that budgeting controls influence financial performance of Homabay County and thus a significant predictor.

4.9 Summary of the Findings

Financial performance of Homabay County was the dependent variable for this research. The average of the means of all the statements is 3.23, indicating a somewhat positive assessment of the financial performance of Homabay County. Financial monitoring and financial performance of Homabay County was the first objective for the study. The composite average mean for all constructs is 3.57. This suggests that, on average, respondents perceive financial monitoring in Homabay County to be fairly efficient. In summary, the findings indicate that the participants generally have a positive perception of the financial monitoring practices in Homabay County. This is supported by another study done by Werimo (2019) which argued that monitoring finances leads to efficient operations in Counties.

Automation of services and financial performance of Homabay County formed the second study variable. The composite/average mean of 3.23 indicates a moderately positive overall perception of the automation of services in Homabay County. While certain aspects of automation are positively perceived. This is supported by a research done by Karungu (2019) which showed that automating systems in counties positively influenced how they performed.

Impact of internal auditing was another variable that was studied. The composite average mean for all the constructs was 2.80, which suggests a moderately neutral overall perception of the internal audit practices and their potential impact on financial performance. Finally, Homabay County's financial performance and budgeting controls constituted another independent variable. The average composite score for all the components is 2.78, indicating a generally moderate neutral opinion of the budgeting controls and their potential influence.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

A summary of the results, conclusions, recommendations, and suggestions for more studies are highlighted in this chapter.

5.2 Summary of the study

This research analyzed the influence of internal control practices on the financial performance of Homabay County. The four independent variables included; financial monitoring, internal auditing, impact of service automations and the budgeting controls. Different variable indicators were analyzed and presented in tables in form of means and standard deviations. The average means gave the overall variable findings and discussions made based on the findings.

5.2.1 Financial performance of Homabay County

According to the data, most of the survey participants disagreed that internal financial controls boosted revenue income. The majority participants also disagreed that Homabay County has good resource management. The participants agreed that the county government follows financial regulations. Furthermore, they agreed that the county's variances in the budget were low. Finally, majority of respondents disputed that the Homabay county administration is financially self-sufficient. The average of all the statements was 3.23, reflecting a moderately positive appraisal of Homabay County's financial performance.

5.2.2 Financial monitoring in Homabay County.

According to the statistics in Chapter 4, the majority of those surveyed believe that internal auditors effectively oversee county expenditures. The majority of participants

believe that all financial receipts are scrutinized and maintained for accountability reasons. The respondents, on the other hand, have a rather low impression of the county's monitoring of payments made to its suppliers, with a mean score of 2.82. Finally, most participants agreed that county debts are effectively monitored for debt management. The correlation study revealed a substantial and positive relationship between financial monitoring and Homabay County performance. Financial monitoring was found to be a significant predictor of Homabay County's financial success using an ANOVA test.

5.2.3 Influence of Automation of services

From the results, the majority of those polled are agreed that the county administration employs modern technology in its operations. Second, the majority of those surveyed do not believe that automated financial reporting is available in the county government. Respondents also disagreed regarding the benefits of automated financial systems in terms of generating revenue and accountability. Finally, respondents believe that departmental integration of services has occurred as a result of automation. The composite/average mean of 3.23 indicates that Homabay County citizens have a low rating towards service automation. A correlation of 0.700 indicated a relatively substantial positive link between service automation and Homabay County's financial success.

5.2.4 Influence of internal auditing

Generally, most respondents' disagreed that internal financial audits are frequently conducted at the county government of Homabay. They also disagreed that audit committee members had the necessary qualification for the auditing function. Furthermore, they disagreed that county internal audit team heavily relies on financial records while auditing the departments. However, most participants agreed that county government of Homabay evaluates the internal audit reports and recommendation necessary measures are always undertaken. The composite average mean for all the constructs is 2.80, which suggests a moderately neutral overall perception of the internal audit practices and their potential impact on financial performance. A strong positive

correlation was realized between internal audit and the financial performance of Homabay County.

5.2.5 Influence of budgeting controls

The final variable investigated the impact of budgetary controls on Homabay County's financial performance. Most participants disagreed that key stakeholders are involved in budget making. They also disagreed that budget making in every county department is done by individuals who have the expertise in budget making. The composite average mean for all the constructs is 2.78, which suggests a moderately neutral overall perception of the budgeting controls and their potential influence. There was a significant positive correlation between the financial performance of Homabay County and the effect of budgetary controls.

5.3 Conclusion

According to the study's findings, financial monitoring has a significant impact on the financial efficiency of county government of Homabay. The majority of the statements in the questionnaire were agreed upon by the participants. The findings show the importance of auditing teams in monitoring county spending.

However, the average score of 2.82 indicates that supplier payment should be tracked. This illustrates the importance of focusing more on improving accuracy and transparency in financial transactions with suppliers. Furthermore, a mean score of 3.71 shows a positive level of efficiency in debt management monitoring. This indicates that the county is aware of its commitments.

The research also discovered that service digitization had an important effect on Homabay County's financial performance. The data provides information about the county's use of modern technology and the extent of automated financial reporting. The data show that the Homabay county administration has made tremendous gains in embracing new technologies for its operations, as seen by the high percentages of positive responses.

However, when it comes to automated financial reporting, the opinions are divided. This points to possible difficulties in achieving seamless and accurate financial reporting through automation, needing more focus on this element.

Furthermore, the study concludes that internal audit has a major impact on the financial performance of Homabay County. From the findings, Homabay lacks strong internal audit practices. For instance, majority of the respondents 36.7% disagreed that internal financial audits are frequently done at the county government of Homabay. Another 27.7% strongly disagreed that there was a strong audit committee with highly qualified individuals. Majority of the respondents 34.3% also disagreed that the county internal audit team heavily relies on financial records while auditing the departments. Nonetheless, 30.3% of the respondents the majority, agreed that the county government of Homabay evaluates the internal audit reports and recommendation necessary measures are always undertaken.

Finally, the study discovered that financial performance of Homabay County is significantly influenced by budgeting controls. However, respondents disagreed with most of the constructs in the questionnaire. For instance, they disagreed that all county key stakeholders are involved in budget making, they also disagreed that budget making in every county department is done by individuals who have the expertise in budget making. Most respondents also disagreed that there was staff autonomy in budget making.

5.4 Recommendations

1. In order to achieve effective financial monitoring, the Homabay County administration should consider implementing an integrated financial monitoring system. This system should combine cutting-edge technology and automation to automate duties such as tracking expenditures, analyzing financial receipts, monitoring supplier payments, and managing county debts.
2. Homabay County should engage in extensive training and change management programs in order to effectively automate financial services in the county. Automation causes considerable changes in workflows and procedures, which can

- sometimes be greeted with resistance from staff used to old techniques.
3. Homabay County should focus continual professional development for its internal audit staff in order to provide successful internal auditing of financial services. This entails offering continuing training, workshops, and chances for the team to stay current on auditing standards, procedures, and regulatory changes.
 4. The county should form a strong budget oversight committee comprised of experienced financial professionals and department leaders. This committee should be in charge of evaluating, assessing, and voting on budget recommendations. Their knowledge will guarantee that budgets are realistic, in line with strategic goals, and devoid of superfluous or unrealistic spending.

5.5 Recommendations for further studies

Another study can be conducted to examine the correlation between the level of training provided to employees and their adoption of automated financial systems.

Investigate the long-term impact of implementing automated financial systems on revenue generation for Homabay County. Analyze whether the projected benefits in revenue increase and accountability have been realized and sustained over time.

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APPENDIXES

APPENDIX I: Transmittal Letter

Greetings,

RE: RESEARCH PARTICIPATION.

I am a master's student who is already done with classwork and I have been tasked to undertake a research project work as a requirement for graduation. I hereby kindly request you to be part of my participants in this research on **INFLUENCE OF INTERNAL CONTROL PROCEDURES ON THE FINANCIAL MANAGEMENT OF COUNTY GOVERNMENT OF HOMABAY.**

Thank you in advance,

Yours Faithfully,

Otieno Japolo Michaels

APPENDIX II: QUESTIONNAIRE.

Section A.

Background of the respondents

1. What is your current age?

AGE (Years)	
20-29	
30-39	
40-50	
Above 50 years	

2. Gender?

Gender	
Male	
Female	

3. Education Level?

Level of Education	
Secondary	
Certificate	
Tertiary Diploma	
Undergraduate	

PHD	
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Section B: Financial Monitoring

The statements on financial monitoring are listed below. Please tick appropriately. Strongly disagree=1; Disagree=2; Neutral=3; Agree=4; strongly agree=5

	Financial Monitoring	1	2	3	4	5
a)	There is effective monitoring of county expenditures by internal auditors					
b)	All financial receipts are closely scrutinized and kept for accountability					
c)	There is monitoring of all payments done by the county to its suppliers					
d)	There is effective monitoring of county debts for effective debt management.					

Section C: Automation of services

1. Below are statements on land valuation methods. Kindly indicate your level of agreement.

	Automation	1	2	3	4	5
a)	The county government of Homabay uses latest technologies in its operations					
b)	There is automated financial reporting in the county					

	government of Homabay					
c)	Use of automated financial systems aids in increased revenue and its accountability					
d)	There is departmental integration of services as result of automation					

Section D: Internal audit

2. Below are statements on internal auditing. Kindly indicate your level of agreement.

	Internal auditing	1	2	3	4	5
a)	Internal financial audits are frequently done at the county government of Homabay					
b)	There is a strong audit committee with highly qualified individuals					
c)	The county internal audit team heavily relies on financial records while auditing the departments.					
d)	The county government of Homabay evaluates the internal audit reports and recommendations or necessary measures are always undertaken					

Section E: Budgeting Controls

3. The following are statements about budgeting controls. Please express your degree of agreement.

	Budgeting controls	1	2	3	4	5
a)	All county key stakeholders are involved in budget making					
b)	All budgets are sanctioned and approved by relevant authorities before expenditure.					
c)	Budget making in every county department is done by individuals who have the expertise in budget making					
d)	There is staff autonomy in budget making as every department and staff are free to draft budgets					

Section E: Financial Performance

4. Below are statements on Financial Performance of the Homabay County. Kindly indicate your level of agreement.

		1	2	3	4	5
a)	There is increased revenue as a result of internal financial controls					
b)	There is efficient utilization of resources at the Homabay County					
c)	The county government of Homabay adheres to the financial regulations					
d)	There are reduced budget variances at the Homabay County					
e)	The County government of Homabay is financially self-sustaining					

APPENDIX III: INTERVIEW SCHEDULE

- i. In your own opinion how does financial monitoring aid in financial performance of the Homabay County

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- ii. Has the county government of Homabay automated its systems? How has this helped the county in terms of its financial performance?

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- iii. Do you have effective internal financial auditors? Have they impacted the performance of the county financially? How?

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iv. Explain how budgeting controls influence the financial performance of Homabay County?

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v. What can be done internally to aid in sound financial performance of the county?

