EFFECT OF INTERNAL CONTROLS ON EXPENDITURE MANAGEMENT OF NANDI COUNTY GOVERNMENT

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A Thesis Submitted to the school of Business and Economics In Partial Fulfillment of the award of the Degree of Master in Business Administration (Finance Option) in Masinde Muliro University of Science And Technology.

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DECLARATION

This thesis is my original work prepared with no other than the indicated sources and support. It has not been submitted elsewhere for any degree or any other work.

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology a thesis entitled, *"Effect of Internal Controls on Expenditure Management of Nandi County Government".*

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DEDICATION

This work is dedicated to my Wife Lorna Jepkemboi Serem for the overwhelming support throughout my study, my children Gaddiel B. Kiplagat, Gizella B. Cherop and Giwel B. Kigen for being my greatest inspiration.

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ABSTRACT

The enactment of the new constitution in 2010 brought to the fore the need for public financial management reforms. The need for reforms was occasioned by the anticipated creation of county governments and inherent risks witnessed previously in the centralized government where colossal amounts of public funds were lost through corruption, unfair allocation of funds fanning inequality. This study sought to examine the effect of internal control on expenditure management by county government of Nandi. The specific objectives of this study were to determine the influence of control environment, control activities, information and communication and monitoring on expenditure management of County government of Nandi. The research was conducted using both qualitative and quantitative research design. This study targeted a total population of 241 and a sample size of 150 respondents from the Finance and economic planning department. The researcher collected data using semi structured questionnaires with close ended questions. From the study sample 136 respondent were able to answer the questionnaire .The instruments were subjected to cognitive pre-testing to ascertain whether the intended recipients understand the questions. The results showed Cronbach's alpha test with a coefficient of 0.7 and above hence confirming the instrument's accuracy, completeness, and internal consistency respectively. Data analysis was done using both descriptive and inferential statistics. Descriptive statistics used were frequency, mean and standard deviation while correlation and Multi-linear regression analysis under inferential statistics. The researcher presented data using frequency tables and charts. The findings revealed that control environment had a positive and significant effect on expenditure management *(β; 186; P<0.05)*. The study also revealed that control activities have a positive and significant effect on expenditure management *(β; 112; P<0.05)*. The findings of the study also showed that information and communication had a positive and significant effect on expenditure management *(β; 153; P<0.05)*. Lastly, the results showed that monitoring has a positive and significant effect on expenditure management *(β; 427; P<0.05)*. The study recommended that the county government should ensure that the organizational structure incorporates control environment; adopt policies that strengthen the control activities, ensure timely flow of information and communication and lastly incorporate standards that ensures frequent monitoring and follow ups thus enhancing expenditure management.

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OPERATIONAL DEFINITION OF TERMS

Internal controls

Internal controls is a process that involves creating conducive control environment, carrying out control activities, monitoring performance and flow of information and communication established by an organization's leadership designed to aid the achievement of set objectives

Expenditure Management

involves all the procedures for the acquisition of goods and services intended for both current consumption and future benefits to the public done in a timely manner

Internal control system

It is a system which comprises of the control environment, the risk assessment, the control activities the information communication and monitoring.

Control environment

Refers to an organization's structure that influence and set the tone of a firm's discipline, ethical and integrity values during execution of a firms mandate.

Control Activities

Control activities are the activities blended within an entity's normal transactions that include authorization, verification and approvals in a bid to minimize risks and ensure accuracy and relevance in an entity's arena.

Information and communication   the process of finding, collecting, and disseminating important information in a timely and suitable manner through the required channels in order to meet financial reporting objectives.

Monitoring   Is a procedure that involves audits, follow-ups, and audit settlement to continuously review the quality or efficacy of internal controls over time.

ABBREVIATIONS AND ACRONYMS

COSO   -   Committee of Sponsoring Organizations of the Tread way
Commission

INTOSAI   -   International Organization of Supreme Audit Institutions

KPMG   -   Klynveld Peat Marwick Goerdelen

OECD   -   Organization for Economic Cooperation and Development.

ACCA   -   Association of Chartered Certified Accountants

ECD   -   Early Childhood Development

PFM   -   Public Finance Management.

SPSS   -   Statistical Package for the Social Sciences.

IFMIS   -   Integrated Financial Management Information System.

GDP   -   Gross Domestic Product

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Sustainable resource management to the benefit of the current and the future generations calls for sobriety and diligence in the application of the limited financial resources to spur growth and development (Epstein & Buhovac, 2014). This therefore expects the leadership to allocate resources efficiently and effectively in the interest of the public, bringing about the needed change and fulfill the aspirations of many, however, this resources end up being embezzled and misappropriated by the same people who have been entrusted by the public to manage (Rosen & Gayer, 2010).Expenditure management involves activities related with controlling money as in using it effectively and efficiently (Warren, 2005). Proper expenditure management in a public entity ensures maximum utilization of the limited resources thereby reducing the cost of living and relaxed measures in revenue collection.

Globally, in the western developed countries in Europe and America the Use of Automated systems has been proven to produce massive efficiencies in regard to a better internal control of the government finances (Gideon & Alouis, 2013).Canada,U.S.A and Switzerland adopted the integrated Financial management system long time ago and they have been coming up with many reforms in public financial management system which has been the one of the main reasons behind stewardship and high accountability levels of public resources according to the recent global reports by the worldbank on public finance management (World Bank,2018). Brazil has witnessed increase in tax revenue gradually with an increase from 13.8% of GDP in 1947 to 37.4% in 2005 to 31.4% in 2019.This

increase in revenue collection is mainly attributed to improvement in management of public finance systems According to the global leadership summit reports (2019), the main challenges in expenditure management rotate around internal controls (Egbetunde, 2013). Those responsible for governance and management are responsible for designing and implementing internal controls which provide reasonable certainty that the goals of an entity are met in terms of financial reporting reliability, operational efficiency, and compliance with the laws and regulations applicable (Mawanda, 2009).

Regionally, most of the countries in Africa continue to rely on external funding to finance their deficit budget from International Financial Institutions (IFIs). Tax collection capacity and expenditure management capabilities remains inadequately low in most developing countries. Gordon & Wilford (2012) noted that lack of tax collection capacity is experienced more in local governments, which collects a negligible portion of local income in taxes and provides insufficient levels of public goods such as roads, schools, and electricity as a result of inadequately revenues collected. In the 2017/2018 fiscal year, Uganda revenue Authority (URA) registered a revenue collection shortfall of sh. 556. 9billion corruption which is an internal control problem that should be addressed by strengthening internal control mechanisms since it affects sustainable revenue collection and subsequent utilization of the minimal resources (Ionescu, 2010).According to the reports (2020) by transparency, international and non-governmental organization ,most African countries were ranked as most corrupt with poor management of public expenditures by those in charge .Among them Somalia with GDP per capita of $310,Burundi $270,Madagascar $480 Guinea Bissau $490 and Liberia $530 (World

Bank,2020) with poor public finance management system. This clearly indicated poor internal controls, financial management challenges and poor human resource policies.

Kenya is regarded as the largest, most varied and most creative economy in Eastern Africa (Karanja and Ng'ang'a, 2014). It has the ability to decrease poverty and generate jobs, not just for its inhabitants, but also in other nations in East Africa and beyond. According to World Bank 2014 Kenya's public expenditure review showed that the economy grew by six percent overriding the poor economic outlook in the previous year's joining the league of low middle income earners, Secondly the roll out of the county governments led to 15% of the country's total expenditure channeled to the county governments that is approximately 4% of the GDP for administering the county governments. However great challenges have stood on the way that the soaring public debts and escalating leakages on public expenditures (Nyanjom, 2014).This has been brought by mismanagement of public resources which has remained a backdrop in the growth of both the country and counties GDP.

The County governments in Kenya have for a long while been faced with incidences of public finance mismanagement. In an environment that is trying to streamline management of public resources, this pointed out to a lack of understanding of either what Public Finance Management dictates or the implications of the queries. It is against this backdrop that the Council of Governors with support from the World Bank will hold a peer to peer learning mission in all the counties to improve their knowledge on the audit process using the Nyandarua County Model.

Despite the introduction of county government in Kenya as a way of bringing government close to the people and ensuring proper management of public resources, Public fund mismanagement still remains a bizarre in the local governments in Kenya (Mugambi,2019).According to transparency international report conducted in 2019 on county government performance in Kenya,41% of the Kenyan population from the 47 counties were unsatisfied with the performance of their counties and they were not producing what was expected from them .For instance Tana River county failed to explain the missing of sh 596 million in the 2017/2018 financial year to the auditer general (Mwikairi,2018).This shows there is a dire need for greater efficiency and effectiveness in management of public expenditures in county governments and prevent leakages (Mugambi & Theuri, 2014).

The Public Audit Act no 34 of 2015 section (7a) expressly requires that the auditor general provides assurances about the effectiveness of internal controls, risk management, and overall county governance. However, The Auditor general recent reports has been damning for county government of Nandi where it has been awash with queries among them, unsupported expenditure, under absorption of the budgetary allocations, inaccurate recording of transactions and missing receipts. These internal controls lapses have led to poor service delivery, stalled projects, fraud and corruption. The study assessed the effect of internal controls on expenditure management of Nandi county government.

1.1.1 Internal Controls

Internal control is described by COSO (1992) as a way of achieving the goals of the efficiency and effectiveness of the operations, dependability of the accounting information and conformity to legislation at different organizational levels. The purpose of COSO

(1992) when an internal control system is in place, it offers appropriate safety against hazards that may threaten the attainment of the company's goals. The Board of Directors, management and other staff, entrusted with ensuring the organization has established its goals in different areas, are likely to affect internal control. Reliability of finance reporting, efficient and successful operations of entities and respect for the laws and regulations in question all depend on good internal control. The implementation of standardized processes enhances internal control operational productivity. The usefulness of control processes is enhanced. Standard definitions of processes, job descriptions and rules (Martin, Sanders & Scalan, 2014).

Internal controls focus on the environment of control (Sarens & De Beelde, 2006). It covers ethical principles, the integrity of staff responsible for the development, execution and management of controls, directors, audit committees, and the organizational structure. The control environment sets the organization's tone through affecting the consciousness of the people (Whittington & Pany, 2001).The control environment reflects management's attitude and policies regarding the critical nature of internal controls in expenditure. Additionally, the control environment has an effect on the organization's history and culture; as a result, it establishes a supportive attitude toward internal control and management (Hayes, Dassen, Schilder, & Wallage, 2005). All components of the control environment that serve as requirements for enhanced management of costs are integrity, ethical values of the staff responsible for the monitoring of internal control systems, the commitment and competence of those carrying out tasks of assigning revenue collection, the Board of Directors or Audit Committee, the management philosophy, the operating mode and the organizational structure.

Through a periodical analysis and evaluation of internal controls, the county government guarantees the trustworthiness of its financial information according to the regulatory requirements and compliance. Internal controls ensure that all pertinent information is identified, captured, and communicated in a manner and time frame that is deemed acceptable for the purpose of enabling individuals to fulfill their financial reporting responsibilities (Aldridge & Colbert, 1994). Effective communication ensures that information flows down, across, and up the organizational hierarchy (Karagiorgos, Drogalas, & Giovanis, 2011). Several publications on internal control frameworks have raised concerns about information and communication, one of the internal control components that affects the working relationships among all departments within an organization (Amudo & Inanga, 2009). Adopting cutting-edge information communication technology is prudent in order to advance the revenue systems integration and information sharing capabilities, thereby increasing system effectiveness and efficiency (Visser & Erasmus, 2005) Cost management systems depend on the entry of relevant and trustworthy information, which is timely, accessible and uniform in format. Information includes the essential financial, operational and compliance facts and circumstances for decision-making. Internal data is an element of a record keeping process which should contain specified processes for record retention (Karagiorgos et al., 2011).

Monitoring is the practice of reviewing throughout time the quality of the internal control system (Doyle, Ge & McVay, 2007). Since internal checks are procedures, it is commonly acknowledged that the quality and efficiency of the system must be appropriately monitored throughout time. The County Government is guaranteed through monitoring

that audit reports and other evaluations are quickly decided (Karagiorgos et al, 2011; Rezaee, Elam & Sharbatoghlie, 2001). Amudo and Inanga (2009) stated that monitoring ensures successful functioning of internal controls.

County Government determines whether or not workers properly oversee its rules and processes, which have been drafted and carried out by county administration. Monitoring and evaluation may be performed through frequent monitoring and management activities such as monitoring and feedback on revenue collection processes as well as regular audits by internal auditors (Bowrin, 2004). County governments' efficiency in collecting revenue is contingent upon the effectiveness of their control environment, risk assessment, information and communication, and monitoring and evaluation (Ngugi, 2011).

1.2 Statement of the Problem

The governments have a responsibility of ensuring infrastructural development, economic and social empowerment of its citizen's failure of which renders the County government dysfunctional. In order to implement all this, governments need to collect sufficient revenue and employ a proper expenditure management system which enhances proper management of expenses. However, according to the Auditor general report (2018) most counties had incurred unsupported expenditure, under absorption of the budgetary allocations, inaccurate recording of transactions and missing receipts. The recent fund mismanagement in Nandi County include 2017/2018 Underreporting of ksh 270,705,223 in the statement of cash flow under net cash and cash equivalent; unsubstantiated expenses on construction of 60 ECD centers allegedly costing 16,968,889, pending bills worth 743,727,329 whose credibility could not be verified and Irregular payments of 2,651,304

to the council of governors and irregular award of tender of fuel and oil supply to two firms who were not prequalified. (Auditor-General, 2018)

Despite the adoption of Integrated Financial Management Information system (IFMIS) leakages in public expenditure and misappropriation of funds is still being reported in Nandi County. Could the problem of internal controls be responsible for misuse of public funds? The explanation on the source of misappropriation is scanty and currently there is no single study that has sought to establish how these leakages in the public expenditure in Nandi county can be tamed .This formed the basis of this study which intended to find out to what extent do the internal controls affect the leakages in expenditure management in Nandi County.

1.3 Research Objectives

The study was guided by general and specific objectives.

1.3.1 General Objective

The main objective of the study was to establish the effect of Internal Controls on expenditure management in Nandi County government.

1.3.2 Specific Objectives

  i.   To determine the effect of control environment on expenditure management in Nandi County.

  ii. To determine the effect of Control activities on expenditure management in Nandi county government.

iii. To determine the effect of information and communication on expenditure Management in Nandi county government.

iv. To establish the effect of Monitoring on expenditure Management in Nandi county government.

1.4 Research Hypotheses

The research hypotheses of the study were as follows:

H_{01}: Control environment does not have a significant effect on expenditure management of Nandi County government.

H_{02}: Control activities do not have a significant effect on expenditure management of Nandi County government.

H_{03}: Information and communication has no significant effect on expenditure management in Nandi county government.

H_{04}: Monitoring does not have a significant effect on expenditure management of Nandi County government.

1.5 Scope of the Study

The study focused on the effect of internal controls on the expenditure management at the county government and specifically Nandi County. The constructs of the independent variables used in the study were; control environment which involves organization discipline, organization structure, ethical values and integrity values. Control activities which consist of authorization, verification, approvals, accuracy and relevance.

Information and communication involving reporting of expenditure, timely reports, communication channels and reliability and relevance. Lastly, monitoring which involves continuous monitoring, individual assessment, monitoring units and audit settlement.

Secondly, the study limits itself to Nandi County. There are few comparable studies and inadequate information concerning the effect of internal controls on expenditure management in Nandi County. Nandi county is one of the fastest growing counties in Kenya with a population of over 885 000 people and fertile soils that supports high agricultural production .The county host twelve of Kenya's sixty-six tea factories making it a significant players in country's tea industry hence the need to investigate how leakages in expenditure management in the county is affected by internal control factors

1.6 Significance of the Study

The study findings can be a good reference material when formulating policies in ensuring that a stable and reliable control environment within the finance and economic planning is developed. The study findings can also assist the county government management staff to cement control activities through strict adherence to approval levels, and Verification of transactions. Moreover, The Study empowers the county government to set up mechanisms of follow ups such audit trailing programs or independent monitoring departments and also ensure flawless flow of information and communication, thereby improving the quality of decisions made and the county governments' performance. To the policy makers, the study findings can enable the policy makers establish policies that   govern the county governments. The study may significantly provide up to date empirical evidence on performance of

the Governments and its determinants from a Kenyan perspective. Thus, contributing to the existing literature

1.7 Justification of the Study

The study is justified in that it has provided the policy makers and government officials with empirical evidence on the matters expenditure managements and the effect of internal controls on expenditure management and can help in achieving maximum benefits of expenses in the counties. Thus, the study is justified because of the losses and mismanagement of resources at the county governments in Kenya.

1.8 Limitation of the Study

The study faced difficulties in meeting and administering the questionnaires to the participants of the study due to the Covid-19 pandemic following the stringent measures that had been put in place curb the pandemic. However, the researcher was able to acquire the necessary approvals from the management and assured the county government of the confidentiality of the data given

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This research incorporated both theoretical and empirical literature. An overview and criticism of the literature is also presented with the goal of emphasizing the research gaps addressed by the thesis. A conceptual framework contained the variables and illustrated their connections.

2.2 Theoretical Framework

A theory is considered as a set of assertions or standards that explain a phenomenon or collection of facts, particularly phenomena that have been or are commonly accepted frequently and may be used to forecast natural events (Ivankova, Creswell & Stick 2006). In this study, the influence of independent factors on the dependent variable was explained by four theories. The theories are: stewardship, acceptance of technology, agency and positive accountability.

2.2.1 Stewardship Theory

The stewardship idea was established in 1991 by Davis and Donaldson (Cribb, 2006) the theory states that the managers who operate independently would behave as responsible stewards, protecting their assets (Davis et al. 2010). The philosophy of management motivates stewards to address the requirements of the stakeholders' needs via long-term development priorities, full transparency and overshoot accountability (Contrafatto, 2014). According to Hernandez, (2012) stewardship theory brings forth a model where the employees champion the strategic objectives of the organization, therefore if the

organization does well definitely the employees will be doing well and further boost their morale and drive to serve the company better (Davis et al., 2010).

The county government being an entity with so much public interest is expected to be led by stewards who will go to great lengths to preserve that which has been entrusted to them. Adoption of stewardship approaches in the county government expenditure management will enhance service delivery, creating a good control environment that is open for close monitoring through transparency and accountability that will lead to achievement of objectives (Crib, 2006) .The study finds relevance in this theory as it demonstrate how a good controlled environment which involves transparency, accountability and healthy relationship between employees and managers can lead to good stewardship and management of resources in an organization, government and business entities.(Schepers, Falk, de Ruyter, de Jong & Hammerschmidt, 2012).This study used the concept in this theory as a guide in explaining the effects of control environment on expenditure management .

2.2.2 The Technology Acceptance Model for Information and Communication

This theory was advanced by Davis in 1989 (Chuttur, 2009).The term "technology acceptance model" refers to an information system model that illustrates how various users adopt technology in order to improve their performance.The theory states that When users are presented with a new technology, there are a number of factors that will influence their decision about how and when to use it, most notably apparent use and apparent usefulness. The term "apparent usefulness" refers to the degree to which an individual believes that a particular system would enhance his or her job performance (Kewo,

2017).New machineries such as personal computers are complex and decision architects harbor reservations about their positive adoption, people develop attitudes and intentions toward studying and experimenting with new technology prior to committing resources to its use (Bagozzi, 2007).

Despite its widespread use, the Technology Acceptance Model (TAM) theory has been has been criticized for its dubious objective function value, limited explanatory of knowledge growth progress (Chuttur, 2009). Nonetheless, the technology acceptance model is relevant to this study because it advocates for an effective communication system capable of producing favorable results in terms of expenditure management .This study used the ideas in this theory as a guide in explaining the results on the effects of information and communication on expenditure management

2.2.3 Positive Accounting Theory

Research is either positively or normatively categorized in accounting. Positive study is aimed at predicting and explaining certain events. Those that are linked with such research are positive theories (Deegan and Unerman, 2006). These kinds of ideas are often founded on observations which may be verified and improved experimentally via more observation. Other theories are not based on actual facts, as opposed to positive theories. These are regulatory theories built on the ideas of the researcher. Deegan and Unerman (2006) identify theory of normative research as trying to specify how to carry out a specific practice. This research is based on positive theory by employing empirical data in order to clarify the practices of business sustainability.

The positive accounting theory was established by Watts and Zimmerman (1986) in terms of explanatory accounting. It aims to clarify and predict which companies will adopt a specific accounting system, but does not offer any suggestion as to which approach a company should use. The theory is predicated on the "assumption that all individual actions are motivated by self-interest and those individuals will always act opportunistically to the extent that their actions increase their wealth" Deegan and Unerman (2006). The positive accounting theory suggests from this standpoint that organizations shall want to introduce procedures that limit self-interest. This is required in order to match the interests of the management of the company with those of the owners of the company (the principles). "Surveillance expenses" mean the costs involved in solving the difficulties around the agency and in adopting suitable methods.' positive accounting theory predicts that organizations will seek to implement mechanisms to limit self-interested behavior. This study was majorly guided by this theory

2.3 Empirical Literature

This section examines the previous studies on internal controls and expenditure management.

2.3.1 Control Environment and Expenditure Management

In the Kericho East national treasury in Kenya, Tinega, Naibei, and Cheruiyot (2018), carried out a research on the impact of the control environment on public spending. A random sample of 288 employees in different ministries and departments provided 277 valid answers (96.18 percent). The data collection was carried out using a standardized questionnaire. The studies have shown that in order to enhance management of

government ministers' and public expenditure, internal control mechanisms, particularly the control environment, require considerable attention.

Ngui (2017) examined the effect of environmental factors on revenue collection in Kenya's Kitui County. The purpose of the study was to determine whether environmental factors had an effect on revenue collection. The research was conducted in a descriptive manner. Primary data were collected via questionnaires from a sample size of 65 respondents. The data were analyzed using descriptive statistics. The study's findings indicated that the control environment had a significant effect on revenue collection, while organizational structure had no effect. Because their study did not include all indicators of the control environment, the current study sought to incorporate organizational discipline, organizational structure, ethical values, and integrity values and their effect on expenditure management. The study only employed descriptive research design which does not clearly bring out detailed statistical inferences as opposed to the current study which vividly brought out the regression effects of the independent variable on the dependent variable.

An empirical analysis was conducted by Haron, Jeyaraman & Chye (2010) on control environment and public sector expenditure management in Malaysian. The study employed descriptive case study methodology. The researcher selected interviewees using purposive sampling techniques, with the option of replacing those who refused to respond to the researcher's plea. The study gathered data from both primary and secondary sources. The data were analyzed using both narrative and statistical methods. The relationship between internal controls and revenue generation was quantified using correlation. To explain the survey's qualitative findings, narrative analysis was used. SPSS version 19

was used to analyze the data. The study discovered that control environment had a significant positive effect on expenditure management the study did not provide findings on what comprises the control environment and subsequently its effect on expenditure management.

Mohammed (2017) conducted research into the effect of the control environment on expenditure management in South Africa's Kintampo municipal assembly. One of the aims of the study was to determine how much the control environment affects the collection of income by the Assembly. The target population of the study was the whole personnel of the Kintampo municipal council, which participated directly or indirectly in the management and collection of income and which in December 2016 totaled 75. A strategy known as intentional sampling was used by the researcher. The gathering of primary data was place using questionnaires. The Assembly's revenue collection was examined using regression analysis to determine the effect of the control environment. The obtained R square coefficient was 0.628, indicating that the control environment can account for 62.8 percent of the variance in revenue collection. Their study lacked the ethical values which has been included in the current study.

Liza and Earnhardt (2007) researched on effects of better environmental performance on revenue collection in Czech Republic. The study's objective was to determine whether good environmental performance has an effect on revenue. The research was conducted in a descriptive manner. Primary data were gathered from respondents via questionnaires. Regression analyzes was used to link environmental factors to revenues. The findings of the study indicated that better environmental performance improves revenues collection and a drop in costs. Indicators of control environment were not exhaustive in their study,

which the current study sought to incorporate organization discipline, organization structure and integrity values and its effect on expenditure management.

Kinyua, Gakure, Gekara & Orwa (2015) carried out a study on the financial performance of securities exchange-listed businesses in Nairobi under the internal control environment. The objective of this study was to assess the financial performance of Nairobi Securities Exchange-listed firms by the internal control environment (NSE). The study used an approach to conduct research. There were 62 firms listed on the NSE study population. 38 firms among 62 companies cited on the NSE were selected in the study. A random sampling approach was employed for selecting the sample. Data from primary and secondary sources were collected. The data were analyzed using the statistical package for social scientists (SPSS) version 21.0 computer program. The study's findings indicated a strong correlation between the internal control environment and financial performance. Despite the findings, the results could not be assumed to have the same effect on the county governments which have different organizational and leadership style. This study therefore sought to fill this gap by establishing how internal controls affect expenditure management in the county governments.

2.3.2 Control Activities and Expenditure Management

Kewo (2017) examined the effect of internal control activities on the financial performance of Indonesian local governments. The study's objective was to assist the local government in strengthening its internal controls. The study used an explanatory research design and a simple random sampling technique to reach a population of 345 civil servants in North Sulawesi province. The study found out that better implementation of internal control activities such as planning through budgetary allocations, Accountability and

transparency, proper approvals and verification end up enabling the local government prepare credible and flawless financial statements, achievement of the organizations objectives and timely reporting, hence providing ample ground for sound and timely decision making. The indicators were not exhaustive in the study thus the current study sought to incorporate authorization, accuracy and relevance

According to (Rendon & Rendon, 2015) study on internal controls and fraud vulnerability of public procurement. The study undertook a qualitative case study and adopted the exploratory method. A Survey of 1350 persons was done and found out that lack of transparency and internal control weaknesses in the United States Department of defense led to huge loss of public funds through fraudulent expending activities. Upon detection of the anomaly, the Department quickly took up training to equip its workforce with the requisite skills in handling the procurement issues without equally addressing the issue of its internal control activities in regards to Expenditure procedures hence the much needed change wasn't realized . The Study Recommended Training of Staff on internal control activities since Competent employees are just but one side of the coin whereas internal control system encompasses a whole lot of the managerial angle that assures Integrity, responsiveness and openness in the procurement process (Rendon & Rendon, 2015). The study however did not elaborate the effect of internal control on expenditure management which the current study sought to find out.

Muskanan (2014) conducted a study on the effectiveness of implementing an internal control system in the context of fiscal decentralization in Malaysia. The researcher

collected data from 113 auditors using questionnaires and in-depth interviews, based on a variety of organizational theories. According to this study, the most significant factor that contributes to top officials' lack of commitment is conflict of interest. Additionally, the study discovered that social conflict of interest was the most frequently cited reason for top officials' lack of commitment in RG in Kupang District, whereas political conflict of interest was the primary reason for top officials' lack of commitment in TTU District. The study did not address the effect of internal control on expenditure management, which was the purpose of the current study.

2.3.3 Information and Communication and Expenditure Management.

Omokonga, 2014, studied the impact on public sector performance of integrated financial management information systems in order to assess the impact on financial control in public sector organisations of the impact of integrated financial management information systems. Data were collected using census technique from 94 respondents and analyzed using SPSS. The results indicated that information and communication reduced irregulated expendits, the study failed to identify any information and communications components that the current study sought to include, which have strong influence of an adequate information and communications flow and a better management of the finances and governance of the organisations.The study findings were did not specify the type of public sector involved .This current study was specific to the county governments

In Ghana, Darison (2011) also carried out study on how to mobilize local government revenues via the use of ICT. The aim of the study was to determine the influence on

development of local government revenues from information and communication. The data collecting procedure was a case study and the data obtained were concentrated on the revenue performance and the structure of Accra metropolitan and on income mobilization problems. Both primary and secondary sources collected data. We sampled institutions/sub-meters that employs ICT systems, especially in the field of mobilization of income. An institutional questionnaire was a tool for collecting data. The results of the study showed that information and communications systems influence income creation through the preservation of communication channels. The study did not go into detail about the effect of information and communication on expenditure management, which was the purpose of the current study. The study used unstructured questions which may not bring accurate results. This current study employed structured questionnaires with the help of Correlational research design to explain the interaction between the study variables.

In Meru county government's financial management, Mugambi (2019) performed a research on the use of information communications technology. The objective of this study was to establish the impact of adoption of ICTs in the Meru county administration on financial management. The study was designed in a descriptive way. A total of 70 procurement officers, budget officials, accountants and chief financial officers were enrolled in the study. A sample approach called the survey sample was used in the investigation. The closing took place. Through surveys, data collection was completed. A pilot research with more than 0.75 consistencies of all structures was carried out on 14 officers in Tharaka Nithi County. The quantitative analyzes were conducted with SPSS and the results were presented as frequency tables. Qualitative data were evaluated and

then presented in prose using content analysis. The outcomes of the study showed that automation of the budgeting, collection of income and cash management is crucial for good financial management in Meru County. The study did not focus on expenditure management, which was the focus of the current study. The study was more descriptive as opposed to the current study that gives inferential statics.

Atieno, 2019 conducted research on the impact of an integrated financial management system on the performance of public finance in the Kisumu county government. The purpose of this study was to determine the effect of an integrated financial management information system on the performance of the county government of Kisumu's public finance. The target population consisted of 120 management members drawn from various departments. Using a stratified sampling technique, 70 members of management were identified. The data for the study were gathered from both primary and secondary sources. The study's findings indicated that internal controls, as a component of integrated financial management systems, had a significant impact on the county's public finance management. The previous study did not address the effect of information and communication on expenditure management, which was revealed in the current study.

Kibaara (2018) conducted a study on the impact of information communication technology adoption on the county government of Nairobi's successful revenue collection process. A descriptive research design was used in this study. The study's target population was County Government of Nairobi employees, from whom a stratified sample was drawn. To facilitate comprehension, the findings were presented in the form of graphs, pie charts, and tables. According to the study, information and communication had a significant positive effect on the revenue collection process. The study did not include

indicators of information and communication such as timely reports, reliability, and relevance of information, which the current study sought to incorporate in order to determine the effects of information and communication on expenditure management.

2.3.4 Monitoring and Expenditure Management of County government

Ibrahim and Lawal (2019) conducted a study on the management of public expenditure at the local government level in the Nigerian state of Katsina. The study's objective was to ascertain the expenditure management practices used by local governments. Six local governments were chosen using a stratified sampling technique from a population of 34 local governments. Primary data were collected through questionnaires, and secondary data were obtained from the office of the auditor general of the local government in Katsina state. The study's findings indicated that the local government had poor expenditure management, with little difference between actual and budgeted expenditures; however, in the majority of cases, actual expenditure exceeded budgeted estimates. The study recommended stringent measures be undertaken to manage the local governments expenditure through enhancing monitoring of expenditure. The study was done on a Nigerian local government hence the need to do one in Kenya which this current study was conducted on a Kenyan county government.

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Carr (2012) carried out a research on private vendors in Ghana Electricity Company revenue collecting procedures. The aim of the study was to assess the surveillance techniques used to control private vendors and the problems faced by private power suppliers. The study used descriptive approaches for data gathering and analysis using

primary as well as secondary sources. Data obtained mostly through surveys. A basic random sampling approach has been used to calculate the sample size. Tables were utilized to display the collected data. The study's findings indicated that monitoring assisted in regulating private vendors by enhancing the maintenance of accurate records of vending activities, thereby improving daily revenue collection. The study was done on private sector but the current study was conducted on county government of Kenya which is a public entity.

A research on increasing tax income from income by the income authority was carried out in Nigeria by Obara and Nangih (2017), via their tax monitoring model. The goal of the study was to investigate Nigerian state governments' link between compliance with taxes and domestic income. The study used an approach to conduct research. Structured questionnaire data were gathered and hypothesis was assessed by regression using SPSS and by the Pearson correlation of the product moment. The results of the study showed a strong link between constant tax surveillance and internal income generated. The study excluded individual assessment and monitoring units, which the current study sought to include in order to ascertain their effect on expenditure management.

Libenth (2017) carried out a research at the Tanzania tax authorities on the application of the Mckinsey 7s model for effective monitoring of income earnings. This study aimed at determining the efficiency of monitoring of revenue collection using the 7 model method. A survey population of 78 was taken with a sample size of 65. An analysis was performed

of primary and secondary data. A multivariate linear regression model was used to explore the connection between independent and dependent variables. SPSS was used to perform descriptive statistics and analysis. According to the study's findings, effective monitoring has a significant effect on revenue collection. The study employed the Mckinsey 7s model but overlooked the importance of individual assessment and continuous monitoring, which the current study sought to incorporate in determining the model's effect on expenditure management.

Apollo (2017) carried out a research on compliance with taxpayers' obligations and the performance of local authorities in Uganda. The study aimed at examining the link between taxpayers' compliance monitoring and the performance of local government income. Data from 169 of 191 tax administrators in Lira district have been collected via a cross-sectional descriptive survey design. There were technocrats and political leaders in the tax administration. Data collection took place at a single point, which prevented changes in behavior over time. In the study, the monitoring of compliance with taxpayers with local revenues in the local Lira District Government found an important beneficial link (0.727). The surveillance units as part of the monitoring, which was intended to be included in the current study to evaluate the impact of monitoring on cost management, were missing from the study.

The efficacy of county-government monitoring and evaluation mechanisms for implementing county-government projects was examined in Onyango (2017): a case study by the county of Kirinyaga in Kenya. In this study, 106 county government employees

were surveyed by use of a descriptive survey design and data collection questionnaire. The study discovered that monitoring and evaluation plans are being carried out however more needs to be done to ensure proper flow of communication the end user to enhance their capability to embrace the monitoring and evaluation aspect Moreover, there was poor funding of the monitoring and evaluation process though the budget existed and no proper oversight of expenditures by the officials had been carried out in the implementation of the budgeted projects The study did not however expound on the effect of monitoring on expenditure management

Mutua (2017) conducted a study on the relationship between commercial state corporations' monitoring and revenue collection in Kenya. The study collected and analyzed data using a descriptive cross-sectional research design. 54 commercial state corporations operating in Kenya in 2015 were included in the study population. The study selected a sample of senior management via a census technique, one questionnaire for each commercial state corporation. The study gathered data from both primary and secondary sources. Primary data were gathered through the use of unstructured questionnaires and analyzed using SPSS version 21.0. The study discovered a significant positive correlation between monitoring and revenue collection for commercial state corporations in Kenya. The study concluded that revenue collection for commercial states corporations in Kenya is significantly affected by monitoring activities. Effect of continuous monitoring on expenditure management was not incorporated in their study which the current study sought to incorporate.

2.3.4.1 Role of Internal Audit

Internal audit is the key that ensures effective internal control functions; it's at the heart of any organization. The internal audit is the mode through which an entity can gauge its performance in regards to set standards. It's a tool that checks the extent of the organizations internal control system and the state of its adherence to policies and procedures.(Joksimović & Ahmed, 2017)

Kamaliah (2018) studied the effectiveness of Malaysia's public sector's monitoring mechanisms and fraud incident mitigation. The study found out that there was interference of the internal controls by the management and discovered that an increase in fraud prevention programs through strengthening of the internal control and strengthening of the internal audit department led to a significant decrease in fraudulent activities. this study highlighted the key role of internal audit in assisting organizations identify weak areas in the public spending chain and providing strategies for minimization of the damage before it's too late (Albreacht et al., 2016). The current study sought to highlight the audit issues settlement as a monitoring indicator on expenditure management.

2.4 Internal Controls and Expenditure Management

The main objective of employing internal controls on expenditure is to ensure that the entity's objectives are achieved at a minimum cost as possible (Abba, Mohammed, & Kakanda, 2017) The Strategic plans, millennial development goals, fiscal plans and county integrated development plans are all meaningless if expenditure cannot be controlled and harnessed to the achieve that which it was intended to achieve hence the need for a strong internal control system (Pattanayak, 2016). The global focus in the public

sectors is the delivery of efficient and effective services in an accountable and transparent manner; this has been boosted by the evolution of new technology hence providing the tools of checking integrity. The study discussed the interconnectivity of internal control system in enhancing transparency and accountability in the public sector expenditure management (Aziz, Rahman, Alam, & Said, 2015).

Furthermore, the internal auditors rely heavily on internal control system and since they are the custodians of the ultimate managerial control. the Internal control therefore has to be carefully integrated in the organization's structure with an intention of providing a way for accountability, equity and transparency to all stakeholders.(Kimutai, 2017) one of the principles of public finance under article 201(a) of the constitution of Kenya is "openness and accountability, including public participation in financial matters" and since internal control aims at achieving accountability and transparency then it's crucial and should be at the heart of any activity in a the public sector organization (Liu, 2011). Pattanayak (2016) further elaborates that the major role of the expenditure control is to ensure that it complies with the will of public as expressed during public participation and that it complies with the sound financial management principles as enacted.

2.6.1 Capital and Recurrent expenditure

According to Oluwatobi & Ogunrinola, (2011) the implications of capital and recurrent expenditure on economic growth in Nigeria showed that there is link between expenditure and people development, It therefore recommended reforms in the public capital expenditure management through systematic monitoring and prioritization of expenditure items to boost the countries 'economic growth.

Ardanaz & Izquierdo (2017) brings to the fore another dimension in the study of 100 developing countries that postulates the cyclical nature of expenditure where the government cuts on capital expenditure during tough times and increases the recurrent expenditure in good times, The study observes that this action is driven by the need of the ruling class to achieve instant gratification in a bid to appease voters since recurrent expenditure bores immediate results which are visible to the electorate unlike the capital expenditure which takes years to materialize.

OECD (2017) on internal control's role for public integrity in the middle east and north Africa Highlighted that linking the aspect of budgeting and expenditure ceiling at the local levels and ensuring intertwining internal control and expenditure management mitigates risks and shall ensure realization of the countries objectives.

Table 2. 1: Showing the Summary of Gaps from Empirical Literature

Researcher	Title	Research Design	Findings	Gaps
Ngui (2017)	Effect of environmental factors on revenue collection in Kitui County, in Kenya.	descriptive research design	control environment had a significant influence in revenue collection	Indicators of control environment were not exhaustive in their study; the current study seeks to incorporate organization discipline. The study will look at expenditure management.
Haron (2010)	Control environment and public sector revenue generation in Malaysia	descriptive case study	Control environment had a positive significant effect on revenue collection in Nigeria.	Study did not provide findings on what comprises the control environment and subsequently how it affects expenditure. The study will look at expenditure management.
Mohammed (2018)	Control environment on revenue collection in Kintampo municipal assembly in South Africa.	Descriptive	The study established influence of control environment on revenue collection within the Assembly	The study did not show how control environment and subsequently how it affects expenditure. The current study will look at expenditure management.

Carr (2012)	monitoring practices of private vendors in revenue collection at Electricity Company of Ghana	Descriptive methods	The findings of the study indicated that monitoring enhanced regulating private vendors	The study was done on private sector not a public entity nor did it touch on expenditure management
Obara and Nangih (2017)	Boosting tax revenue by revenue authority's through tax monitoring model in Nigeria.	Survey research design	The findings of showed that there was a significant relationship between continuous tax monitoring and internally generated revenue.	The study didn't capture individual assessment, monitoring units which the current study seeks to incorporate to determine its effects on expenditure management.
(Rendon & Rendon, 2015)	Internal controls and fraud vulnerability of public procurement found out that lack of transparency and internal control weaknesses in the United States Department of defense.	Exploratory	Competent employees are just but one side of the coin whereas internal control system encompasses a whole lot of the managerial angle that assures Integrity,	The study did not look at the expenditures.

			responsiveness and openness in all the expenditures	
Mugambi (2019)	Effect of information communication technology adoption on financial management in Meru County government	Descriptive	Information and communication technology had an impact on financial management	The study did not look at expenditure management
Darison (2011)	On enhancing local government revenue mobilization through the use of information communication technology in Ghana.	Exploratory	information and communication system had impact on enhancing revenue generation though maintaining of communication	The study did not look at the expenditures.
Atieno (2019)	Integrated financial management system on performance of public finance in county government of Kisumu	Correlation research design	The findings of the study concluded that integrated financial information	The study didn't capture the need for reliability and relevance of information in expenditure management which the current study seeks to incorporate.

			system had a great effect in the management of public finance	
(Ibrahim and Lawal, 2019)	Appraissal of public expenditure management at local government level in Katsina state, Nigeria	Survey	The results of the study revealed that the local government had a poor financial management due to poor monitoring.	The study didn't capture the importance of monitoring across departments which the current study seeks to incorporate for the expenditure management.
Onyango (2017)	Assessing the effectiveness of monitoring and evaluation system in the implementation of county government projects:A case of Kirinyaga County, Kenya	Descriptive survey design	The results showed that there was poor funding of the monitoring and evaluation process and no Oversight had been done on expenditures	The study did not capture expenditure management

2.5 Conceptual Framework

Independent Variables   **Dependent Variable**
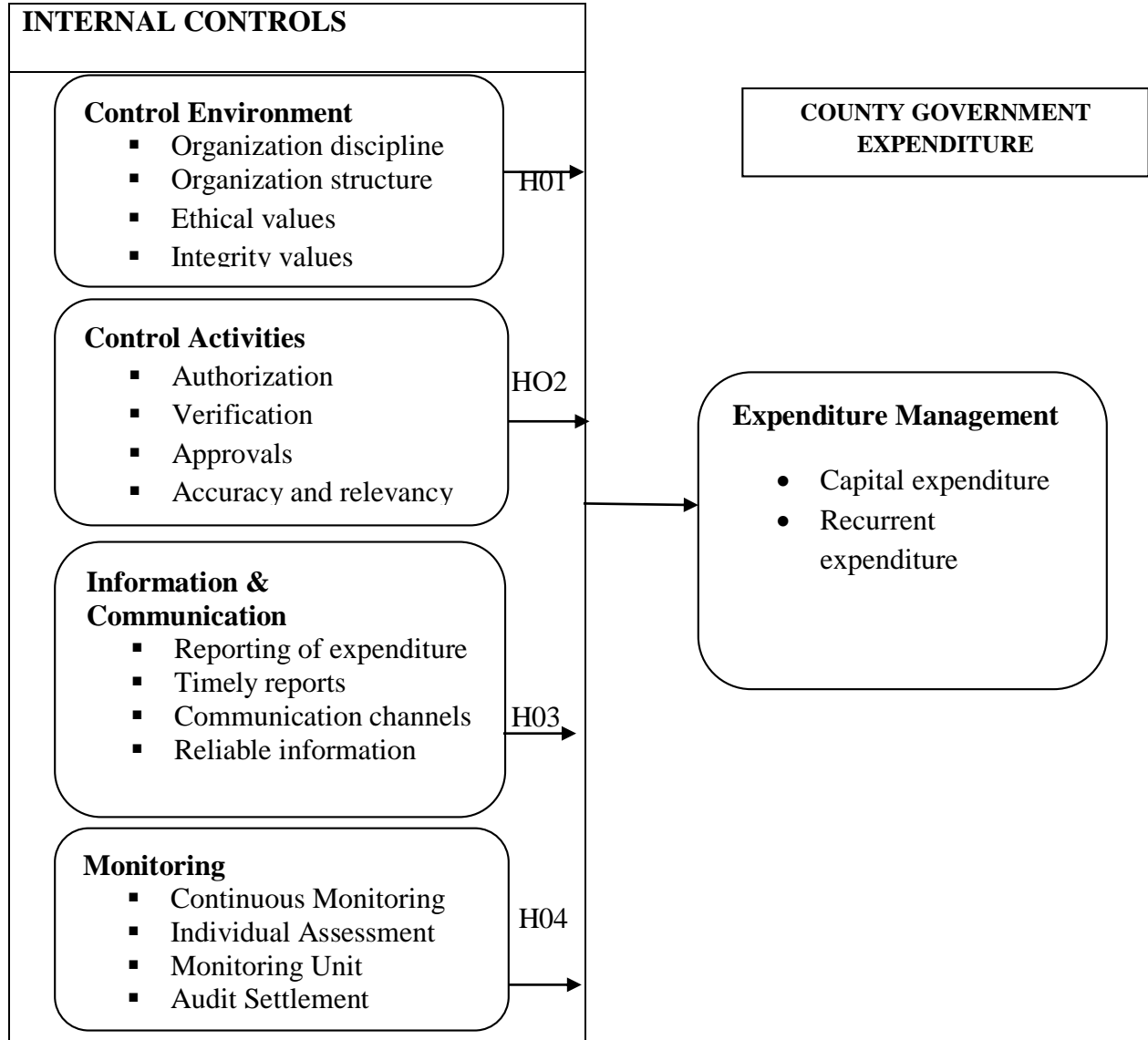
Figure 1 Conceptual Framework

H01 shows the effect of control environment on expenditure management, H02 shows the
effects of control activities on expenditure management, while H03 communication on
expenditure management and H04 shows the effect of monitoring on expenditure
management

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology which guided the conduct of the research. It presents the research design, the population, sampling, data collection and data analysis.

3.2 Research Design

According to Burns and Grove (2013) research design is a set of methods and procedures used in setting and analyzing measures of variables as specified in the study objectives? Libenth (2017) notes that a well-structured study design plays a vital role from writing the hypothesis to final data analysis.This study adopted both descriptive and explanatory research design. A descriptive research design determines the frequency with which something occurs or the relationship between variables (Creswell, 2012). Thus descriptive research design was employed in the study in order to verify the hypothesis and answer questions concerning the frequency and status of study participants including age, Education level, response rate and duration of employment.

On the other hand explanatory research deign is an inquiry that looks into a cause and effect of a phenomenon under study to illuminate and present valid findings on the causes of variations in the variables under the study. (Rahi, 2017). This study used explanatory research design because variation in the independent variable is assumed to cause the change in the independent variable.The correlation statistics and ANOVA were used to

test the correlation between the internal controls and expenditure management whereas Multiple regression was employed to analyze the data collected inorder to arrive at the coefficients . This research design provided empirical evidence suggesting two or more variables were related and also the direction of relationship (Burns& Groove, 2013) ,therefore it was necessary to examine the aspects of this research issues through the descriptive and explanatory research design.

3.3 The Target Population

A population has been described as the complete collection of inferences about which all potential instances which are of interest to a research are referred to (Sekaran & Bougie, 2016). The target research population refers to the aggregate of all items that comply with certain criteria for generalization of results (Mugenda, 2008). The target population was members of the Nandi County Departments of Finance and Economic Planning management. The department includes 125 employees from revenue department, 62 staffs from finance and accounting department, 38 staffs from internal audit department and 16 staffs from planning department as depicted in Table 3.1.

Table 3. 1: Target Population

Sub department	Population	Percentage
Revenue Department	125	51.9%
Finance & accounting	62	25.8%
Internal audit department	38	15.7%
Planning	16	6.6%
Total	**241**	**100.0%**

(Source: Nandi County Government Finance and economic planning Department, 2019)

3.4 Sampling Size and Sample Technique

The smaller the population the larger the sample ratio for a precise sample, according to Quinlan (2011). A primary of sample size is the smaller the population. Specific criteria for the sample size: population heterogeneity, amount of tolerable error, and confidence level are necessary, add Zikmund, Babin, Carr and Griffin (2010). The sample size was derived with the Yamane's formulation (1967) for the limited population.

$$n = {}^{N}/_{1 + N\,(e)^2} \qquad n = {}^{241}/_{1 + 241\,(0.05)^2} \; = 150. \; \dots\dots\dots\dots.\text{Equation 3.1}$$

Proportionate stratified sampling was used to allocate the stratum samples. For the sampling to be proportionate, the sampling fraction (or interval) must be identical in each stratum. ${}^{n}/_{N}$ Is used to determine the sampling fraction which in this case is ${}^{150}/_{241} =$ 0.62. The sampling fraction is then used in each stratum to determine a proportionate stratified sample as follows:

Table 3. 2: Sample Size

S/no	Stratas	Population	Sampling Fraction	Sample size
1.	Revenue Department	125	0.62	78
2.	Finance & Accounting	62	0.62	38
3.	Internal Audit Department	38	0.62	24
4.	Planning	16	0.62	10
Total		**241**		**150**

Source: Researcher (2020)

Simple random sampling was used to get samples of employees from the different strata. The actual enterprises for data collection will be arrived at by using stratified random sampling from each stratum. The stratification was based on revenue department, finance and accounting department, internal audit department and planning.

3.5 Data Collection Method

There are numerous ways of collecting information in accordance with Ngechu (2004). The choice of tool and instrument depends mostly on the subject's characteristics, study subject, problem issue, goals, design, expected data and outcomes. Each tool and equipment captures particular information. Donald (2006) states that two main sources of primary and secondary data collecting devices are employed.

The researcher used semi - structured questionnaires with close ended questions in the collection of primary data from the field. Since it's the most appropriate mode of collecting this data, given its detailed and covers all the aspects of the study (Melo, 2013).

The familiarity of the questionnaires with the target population makes it an ample mode of data collection. The questionnaires were brief with close ended questions to allow the respondents enabling the researcher to collect all the necessary information. The questionnaires were dropped and collected later hence allowed the respondents to give their responses in a free environment and helped the researcher gather information in a timely manner.

3.6 Pre-Testing

Pretesting is a method of assessing whether the questions portray the right picture and understanding to the intended recipients as was prescribed by the author, It is also recognized to be of immense value in the valid measurement of an occurrence in the conduct of research (Hilton, 2017). The researcher conducted the pilot study before undertaking the study. Pilot testing for this study was done to test the research instruments and to establish if they will yield result that is needed. A pilot study was carried out at in Kericho County . 20 respondents from the treasury and Economic departments filled in the questionnaires. The Pilot testing employed convenience-sampling technique and a total of 20 respondents were used to test the reliability and the validity of the questionnaires, which is approximately 13% of the main study sample. Cooper and Schindler (2008) assert that 10% of the main sample should constitute the pilot test. The pilot test for the study was within the recommendation. Convenience sampling used respondents who were voluntarily available (Koenig & Meissner,2016) and therefore the method was found appropriate due to distance constraints considering the location of the two counties. An advantage of this sampling method was a good number of respondents could be interviewed in a relatively short time (Melo, 2010) and is least expensive method.

3.6.1 Validity Testing

Libenth (2017) define validity as the accuracy and meaningfulness of the inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomena under study Shareia (2016) this study considered construct and content validity. Construct validity refer to the extent to which operationalization of a construct (that is; practical tests developed from a theory) do actually measure what the theory says they do. Shareia (2016) notes that construct and content validity is determined by expert's judgment. Thus, construct validity was established by the supervisors who assessed the items in the 'questionnaires and ensured that they were relevant, meaningful and appropriate to the respondents.

The other validity was content validity which involved the degree to which the content of the test matches a content domain associated with the construct. The Content validity was also determined by the supervisors who carefully examined the 'questionnaires to ascertain their adequacy in measuring the domain under study (Koenig & Meissner, 2016). Necessary adjustments in the 'questionnaires were made as per the supervisors' recommendations. This ensured that items in the questionnaire yielded the appropriate data for this study.

It should be noted that credibility, dependability, Transferability, and conformability of the interview schedule was done through analyst triangulation and member-checking technique. The researcher utilized another analyst to review the findings of the pilot study.

This was helpful to illuminate blind spots in the analysis process. Using the member-checking technique the researcher shared with the participants in the pilot study, the data, interpretations, and conclusions. It allowed participants to clarify what their intentions were, hence correction of errors, and provision of additional information where necessary.

3.6.2 Reliability Testing

The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials (Taherdoost, 2018).The collected data in the pilot study was also used to test for reliability using Cronbach's alpha. Melo (2012) states that the Cronbach's alpha is the most commonly used coefficient for the approximation of reliability of test scores for structured questionnaires and for calculating internal consistency. Arkkelin, (2014) notes that the threshold for interpretation of reliability of the research instrument is Cronbach's alpha value of 0.7. That is calculated using the Statistical Package for Social Science (SPSS). Thus, Cronbach's alpha values less than 0.7 indicates that the research instrument is unreliable while Cronbach's alpha values equal to or greater than 0.7 indicates that the research instrument is reliable. Thus, this study retained questions from the questionnaire that had a coefficient of $\geq$ 0.7. The reliability test results for the study research instrument were all greater than 0.7 hence the research instruments were reliable

3.7 Data Analysis and Presentation

The researcher analyzed the data using both descriptive and inferential statistics. Under descriptive statistics the researcher examined the measure of central tendency and Spread or Variation. This included mean, frequencies and standard deviation. This enabled the

researcher analyze the data in a meaningful way. On the other hand, the researcher used multiple linear regression analysis in inferential statistics enabling the researcher employ instruments that ensured generalization of the unreachable populace.

The regression equations were as follows:

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\text{Equation (i)}$$

Where

y   = Nandi County Government Expenditure

x_1 = Control Environment

x_2 = Control Activities

x_3 = Monitoring

x_4 = information and communication

The researcher presented the data using the frequency tables and Charts. These tools are sufficient to articulately present the collected and analyzed data.

3.8 Ethical Consideration

The researcher ensured that there was proper plan to mitigate against misleading results and that no harm befalls the participants and that their dignity is protected. Moreover, the researchers ensured full disclosure of the research objectives in regard to information

obtained and its uses and uphold the principles of confidentiality of the information

obtained and lastly, the researcher also ensured that the results are presented exhaustively.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter summarizes the findings of the study that was carried out to put both the conceptual model and the research hypotheses to the test. It first gives the response rate, as well as the study frameworks' reliability and validity. Second, it discusses the respondents' basic background information as well as a descriptive analysis of the research variables. Finally, the chapter offers the results of statistical analysis used to evaluate the hypotheses, as well as debates and conclusions based on the findings.

4.2 Response Rate

Response rate refers to the number of people who responded to the questions divided by the number of the respondents in the survey (Fowler, 2014). The study examined 150 employees in Nandi County Government, Kenya where a total of 150 questionnaires were issued from which 136 (90.6%) questionnaires were returned ,6 were unfilled since one of the respondent was not present in his office while the other claimed to be busy and not able to fill them, 8 questionnaires were misplaced and could not be traced . Mugenda (2008) hypothesized that a response rate of above 50% is considered good for analysis. Therefore response rate of 134 (96%) was appropriate to be analyzed. The results for response rate are presented in the Table 4.1.

Table 4. 1: response rate

Responses	No	Percentage
Administered questionnaires	150	100
Unreturned	14	9.4
Usable questionnaires	136	90.6

Source: Researcher (2020)

4.3 Reliability Test Results

The questionnaire tool was subjected to a pilot study to determine its reliability. Using convenience-sampling technique ,20 respondents from treasury and Economic departments in Kericho filled the questionnaires which equals to 13% of the actual study sampled respondents . Cooper and Schindler (2008) assert that the pilot test should equal to 10% of the actual study's sample size . The pilot test for this study was therefore within the recommendation. The pilot results are as presented in Table 4.2;

Table 4. 2: reliability results

Objective	No. of items	Alpha value
Expenditure Management	4	0.770
Control Environment	4	0.701
Control Activities	4	0.703
Information & Communication	4	0.715
Monitoring	4	0.771

Source: Researcher (2020)

The pilot results indicated that the reliability of expenditure management was 0.770 using Cronbach's alpha test of reliability; the reliability of control environment was 0.701; the reliability of the control activities was 0.703; the reliability of information and communication was 0.715; the reliability of monitoring was 0.771. The results revealed that all the variables gave an alpha test value of greater than 0.70, therefore all the items were regarded reliable.

4.4 Background Information

This section covers information on basic characteristics of the respondents which entails the age of respondents, gender of the respondents, the level of education of the respondents and duration in which the respondents have been serving the Nandi county government.

4.4.1 Age of the Respondents

The intentions of the study were to find out how the respondents were distributed according to their age bracket. The results were as indicated in the Table 4.3.

Table 4. 3: age of the respondents

Age bracket	Frequency	Percent
20 to 30 years	49	36.0
31 to 40 years	41	30.2
41 to 50 years	22	16.2
51 to 60 years	24	17.6
Total	**136**	**100.0**

Source: Researcher (2020)

From the findings of the study it was established that majority of the respondents 49(36.0%) were in the age bracket of 20 to 30 years, followed by respondents in the age

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bracket of 31 to 40 years who were 41(30.2%), followed by respondents in age bracket of 51 to 60 years who were 24(17.6%) and lastly the least age bracket comprised of 41 to 50 years who were 22(17.6%). This implies that respondents from various age categories were fairly involved in this study .The finding implies that most of the respondents in the treasury department are of young age which means that they have great chance to work for a long period.

Nuswantara,Maulidi & Pujiono. (2017) found older employees are effective and good in management skills than younger teachers in high school. This view is supported by Omokonga, (2014).who found that younger employees often end up making more risky decisions and have big ambitions that may make them to source money in wrong ways compared to the older employees .However in contrast Onyango,(2017) in their separate studies found years of working experience can affect employees effectiveness in learning new strategies of management and implementing them become less motivated due to many years in the service and fatigue.

4.4.2 Gender of the Respondents.

This study also examined how employees in treasury department of Nandi county government were distributed according to their gender. The results of the analysis are presented in Table 4.4.

Table 4. 4: gender of the respondents

Gender	Frequency	Percent
Male	84	61.8
Female	52	38.2
Total	**136**	**100.0**

Source: Researcher (2020)

The findings established that 84(61.8%) respondents were male while 52(38.2%) were female. This shows that sampled respondents were fairly balanced in terms of gender. The results are in line with the provision of constitution of Kenya (2010) that requires for representation of one gender not to exceed two third. While the involvement of male in public looting is more common with males, recent management studies have also indicated that involvement of women in the leakages of public resources is on the rise due to increased cost of living and family Obara & Nangih, (2017).

4.4.3 Respondents Level of Education

The respondents of the study were asked to indicate their level of education in order to determine whether it influences the expenditure management in Nandi County. The results of the analysis are presented in Table 4.5.

Table 4. 5: respondents level of education

Level of Education	Frequency	Percent
Diploma	34	25.0
Bachelor's Degree	68	50.0
Masters	29	21.3
Other Qualification	5	3.7
Total	**136**	**100.0**

Source: Researcher (2020)

The study findings established that 34(25.0%) are diploma holders, 68(50.0%) are degree holders, 29(21.3%) of the respondents are masters holders and 5(3.7) of the respondents have other qualifications like certified public accountant. From the findings it was established that the majority of the respondents have bachelor's degree as their highest level of education. The level of education provided a good picture of how one understands the research topic on internal controls and expenditure management. Good education correlates with discipline and proper management Morelo (2011).However other studies finds out that learned and employees with higher academic qualifications are often associated with leakages in public resources as opposed to employees with lower qualifications Martin, Sanders, & Scalan,(2014) ; Mawanda,(2008),

4.4.4 Respondents Duration of Employment

The study respondents were asked to indicate the period in which they have been serving in the department of treasury in Nandi County. The findings were as shown in table 4.6.

Table 4. 6: respondent's duration of employment

Duration of employment	Frequency	Percent
Below 5 Years	71	52.2
Between 5-10 Years	30	22.1
10 Years and Above	35	25.7
Total	**136**	**100.0**

Source: Researcher (2020)

The study findings established that 71(52.2%) of the respondents have worked in Nandi county treasury department for a duration of less than 5 years, 30(22.1%) of the respondents have worked in the treasury department in respective county for a period of between 5 to 10 years and 35(26.1%) of the respondents have worked in the treasury department of Nandi county for a period of over 10 years. The study findings implies that majority of the respondents have been working in Nandi county treasury department for over 1 year, had knowledge and understood the information the researcher was looking for. This was in agreement with findings of Braxton (2008) who posit that the respondents with high working experience assist in providing reliable data on the sought problem since they have technical experience on the problem being studied. However studies have found out that employees who have been employed for more years are often associated with public leakages as opposed to employees with few working years Kisanyanya & Omagwa, (2018).

4.5 Descriptive Findings and Discussions

The study evaluated the opinions of respondents in Nandi County, Kenya on internal control and cost management. The respondents were asked to express their thoughts on a 5-1 SA scale, A Strongly Agree, A Agree, N Neutral, D Disagree and SD, which signify Strongly Disagree. The answers to the answers on separate and dependent factors were descriptively tallied in order to summarize the research variables with the percentages, frequencies, mean and standard deviations.

4.5.1 Descriptive Statistics for Control Environment on Expenditure Management in Nandi County

The first objective of the study was to determine the impact on the management of expenses in the county of Nandi. In the study, the key sub constructions of the control environment included: organization discipline, structure, ethical ideals and integrity. In the view of the respondents, the investigator was interested in how much these substructures impact the administration of expenses in the Nandi County. Table 4.7 showed the descriptive results.

Table 4. 7: descriptive statistics for control environment

			S.D	D	N	A	S.A	Mean	Std. Dev.
i.	Organization discipline is adhered to in expenditure Management in Nandi County Government	F	12	19	37	43	25	3.37	1.199
		%	8.8	14.0	27.2	31.6	18.4		
ii.	Organization structure is maintained in expenditure Management in Nandi County Government	F	10	15	43	43	25	3.43	1.140
		%	7.4	11.0	31.6	31.6	18.4		
iii.	Accounting officers practice ethical values	F	23	36	34	21	22	2.87	1.326
		%	17.0	26.5	25	15.4	16.2		
iv.	Employees in finance department uphold integrity values	F	18	37	32	27	22	2.96	1.274
		%	13.2	27.2	23.5	19.8	16.2		

Source: Researcher (2020)

In order to establish whether the organizational discipline is in compliance with Nandi County expenditure management, the respondents were asked to express their views, 68 (50.0 percent) agreed to regard institution's discipline as far as cost management is concerned, and 31 (22.7) disagreed with the statement. Organization discipline was further established to affect expenditure management in Nandi county with (mean=3.37, std. Dev. =1.199). Organization discipline helps to enhance expenditure which is in line with the findings of Kinyua (2015). These findings of the descriptive statistics imply that majority of the respondents positively rated organization discipline to have direct connection with expenditure management.

In the context of the variable organization structure of respondents, 68 (50.0 percent) of respondents agreed that the organizational structure of the risks organization affects cost management in the Nandi County, while 25 (18.4 percent) of respondents disagreed with the statement, with regard to the maintenance of organizational structure in the Nandi County. Organizational organization structure in the county of Nandi with (mean=3.72, std. Dev.=1.265) had been further established. Organization structure helps to improve expenditure management which is in line with findings of Haron et al. (2010). The findings of the descriptive statistics indicated majority of the respondents rated the statement positively that having good organization structure in an organization can contribute to enhanced expenditure management.

The respondents were requested to give their opinions in regards to whether ethical values were maintained in Nandi county government in regard to expenditure management. The results from table 4.7 indicate that 59(43.5%) of the respondents disagreed that expenditure management officers practice ethical values while 43(31.6%) agreed with the statement. Ethical values was further established to affect expenditure management in Nandi county with (mean=2.87, std. Dev. =1.325). Ethical values help to creates good control environment which is in line with findings of Liza and Earnhardt (2007). The results in descriptive statistics showed that the majority of respondents adversely rated the assertion that ethical principles were thus not adhered to and derailed efforts in the control of expenditure.

In regard to integrity values respondents were requested to give their opinions in regards to whether employees in finance department uphold integrity values. Table 4.7 shows that

most respondents 55 (40.4%) disagreed that the integrity values of the staff of Nandi County are maintained. The declaration was approved with 49(36 percent) of respondents. Consequently, integrity value with (mean=2.96; Dev =1.274) has been shown to impact spending management. Integrity values play an important impact in the financial success that matches Kinyua et al (2015) results. Descriptive statistical results indicate that most respondents ranked the negative suggesting Nandi County as a factor in achieving expenditure control because of lack of integrity values.

4.5.2 Descriptive Statistics for Control Activities on Expenditure Management in Nandi County

The second aim of the study was to assess how control actions affect the management of spending in the Nandi county administration. Approvals and verifications were the focus of the investigation. In the view of respondents, the researchers were eager to see to what degree these substructures impact the administration of Nandi County expenditure. Table 4.8 shows the descriptive findings

Table 4. 8: descriptive statistics for control activities

			S.D	D	N	A	S.A	Mean	Std. Dev.
i.	There is authorization by the management	F	15	8	22	49	42	3.72	1.265
		%	11.2	5.9	16.2	36.0	30.8		
ii.	Verification of expenditures is done	F	8	29	41	40	18	3.25	1.107
		%	5.9	21.3	29.5	29.4	13.2		
iii.	There is approvals of expenditures by higher authority	F	12	23	41	43	17	3.24	1.139
		%	8.8	16.9	30.1	31.6	12.5		
iv.	Accuracy and relevancy	F	19	31	32	30	24	3.04	1.300
		%	14.2	23.1	23.9	22.4	16.4		

Source: Researcher (2020)

The research interviewees were asked to comment on whether approval from management of expenditure was obtained. Table 4.8 states that most of 91 (66.8%) respondents agreed to seek permission for employees in Nandi County. The assertion was not accepted by 23(17.1 percent) of the respondents. Authorization to impact the administration of spending in the Nandi county was further established with (mean=3.72, std. Dev.=1.265). Approval helps to improve the control of costs. The results of descriptive statistical data suggest that most respondents evaluated the positive statement that the authorization of expenditure is required in order to manage expenditure.

With relation to the verification of expenditure, the respondents were asked to comment on whether expenditure was allowed before it was made. The majority of respondents, Table 4.8 reveals, agreed (42.6 per cent) that verification is being carried out and impacts the administration of spending in the county of Nandi. The statement was disagreed with

by 36(27.2%) of the respondents. Spending verification in the Nandi County with (mean=3.25, std. Dev.=1.107) was further created to influence expenditure management. Verification of expenditure helps improve management of expense. Descriptive statistics show that most respondents assessed the statement as positive that the risk assessment is required in order to achieve cost management.

The research respondents were asked to comment on whether costs are permitted before they are incurred. Table 4.8 shows that most respondents 60 (44.1 percent) have agreed that approvals of costs are requested and impact the management of spending in the Nandi district. 33(25.7 percent) disagreed with the declaration. Expenditure permissions were created further in Nandi county to influence expenditure management (mean=3.24, std. Dev.=1.138). Descriptive statistics suggest that most respondents evaluated the positive statement to indicate that the approval of expenditure is required to ensure that expenditure is managed.

Finally, the study attempted to determine the viewpoints and relevance of the respondents. The respondents were asked if the transactions and events were categorized in transaction records accurately and promptly. Table 4.8 shows that the majority of respondents 54 (39.7 percent) agreed to accurately and swiftly classify transaction and occurrences in Nandi County as transaction record. 50(36.8%) of the respondents disagreed with the statement. Accuracy and relevancy was further established to affect management of expenses in Nandi county with (mean=3.04, std. Dev. =1.300). Expenditure management helps to enhance expenditure management which in tandem with the findings of Kewo (2017). The findings of descriptive statistics imply that majority of respondents rated the

statement positive indicating that accuracy and relevancy is necessary in achievement of expenditure management

4.5.3 Descriptive Statistics for Information and Communication on Expenditure Management in Nandi County

The third goal of the study was to identify the impact of information and communication on the administration of spending in Nandi County. The study focused on reporting of expenditure, timely reports, communication channels and reliability and relevance as the main sub constructs of information and communication. The researcher was interested on the opinion of respondents on the extent to which such sub constructs affect expenditure management in Nandi County. The descriptive results were as represented in Table 4.9.

Table 4. 9: descriptive statistics for information and communication

			S.D	D	N	A	S.A	Mean	Std. Dev.
i.	There is effective reporting of expenditure to be achieved in a particular year	F	15	4	23	46	48	3.79	1.269
		%	11.2	3.0	16.4	34.3	35.1		
ii.	Nandi County treasury department receives timely, relevant and reliable reports for decision making	F	5	26	35	44	26		
		%	3.7	19.4	26.1	32.8	17.9	3.42	1.106
iii.	The Government of Nandi County has created contact channels to report suspected violations of legislation or legislation or other improprieties	F	9	20	42	39	26	3.51	2.116
		%	6.7	14.9	31.3	28.4	18.6		
iv.	Information fed in the expenditure management system is reliable and relevant	F	18	31	42	29	16	2.95	1.210
		%	13.4	23.1	30.6	20.9	11.9		

Source: Researcher (2020)

The respondents to the research were asked to express their thoughts as to whether spending management is reported. Table 4.9 shows that 94(69.1 percent) respondents agreed to have expense reporting in the county of Nandi. 20(14.7%) of the respondents disagreed with the statement. Reporting of expenditure was further established to affect expenditure management in Nandi county with (mean=3.79, std. Dev. =1.269). Reporting of expenditure helps to enhance expenditure management, which is in line with the findings of Ibrahim and lawal (2019). The findings of descriptive statistics suggest that

most respondents evaluated the positive statement that expenditure reporting is needed in the spending management in Nandi County.

In regard to timely reports respondents were requested to give their opinions on whether there are timely reports in regard to expenditure collection. Table 4.9 indicates that majority of respondents 70(51.5%) agreed that timely reports on expenditure management were received in Nandi county. 31(22.8%) of the respondents disagreed with the statement. Timely reporting was further established to affect expenditure management in Nandi county with (mean=3.42, std. Dev. =1.106). Timely reports are necessary for enhancing expenditure management which is in line with findings of Omokonga (2014). The results of descriptive statistics indicate that the majority of respondents evaluated the positive statement that expenditure management reports are required in a timely manner for appropriate expense management.

In addition, the respondents were asked to comment on whether there exist communication channels for the control of costs. Table 4.9 indicates that majority of respondents 63(47.8%) agreed that there are communication channels on expenditure management in Nandi county. 29(21.3%) of the respondents disagreed with the statement. Communication channels were further established to affect expenditure management in Nandi county with (mean=3.51, std. Dev. =2.116). Establishing communication channels helps in enhancing expenditure management which is in line with findings of Mugambi (2019). The findings of descriptive statistics indicates that majority of respondents rated

the statement positive implying that communication channels are necessary in regard to management of expenditure in Nandi County government.

Finally, the study respondents were requested to opine regarding the reliability and relevance of information fed to the expenditure management systems. Table 4.9 indicates that majority of respondents 49(36.1%) disagreed that there are communication channels on expenditure management in Nandi county. 45(33.1%) of the respondents agreed with the statement. Reliable and relevant information was further established to affect expenditure management in Nandi county with (mean=2.95, std. Dev. =1.210). Ensuring information on expenditure management is reliable and relevant helping to enhance expenditure management which is in line with findings of Atieno (2019). Descriptive statistics reveal that most of the respondents evaluated the statement negative that the communication channels for the management of expenses in Nandi Country were not adhered to, irrespective of their relevance in the management of expenses.

4.5.4 Descriptive Statistics for Monitoring on Expenditure Management in Nandi County

The fourth objective of the study was to determine the effect of monitoring on expenditure management in Nandi county government. The study focused on continuous monitoring, individual assessment, monitoring unit and internal review as the main sub constructs of monitoring. The researcher was interested on the opinion of respondents on the extent to which such sub constructs affect expenditure management in Nandi County. The descriptive results were as represented in Table 4.10.

Table 4. 10: descriptive statistics for monitoring

			S.D	D	N	A	S.A	Mean	Std. Dev.
i.	There is continuous monitoring of the expenditure in Nandi County	F	7	14	23	39	54	3.87	1.198
		%	5.3	10.4	15.7	29.1	39.6		
ii.	There is assessment of county government staff from time to time by the Nandi County	F	14	17	33	49	23	3.34	1.196
		%	10.4	12.7	24.6	36.6	15.7		
iii.	Management in Nandi county has established an independent monitoring unit	F	12	22	49	34	19	3.16	1.125
		%	9.0	16.4	36.6	25.4	12.7		
iv.	There are internal reviews on implementation of internal control practices	F	13	33	33	39	18	3.11	1.204
		%	9.7	24.6	24.6	27.6	13.4		

Source: Researcher (2020)

The respondents were asked to provide their thoughts on whether expenditure is continuously monitored. Table 4.10 shows that 93(68.4%) of the respondents agreed that the spending management in Nandi county is continuously monitored. The declaration disagreed with 21(15.4 percent) of the respondents. In order to impact spending control in Nandi county (mean=3.87, std. Dev.=1.198), continuous monitoring was also implemented. The constant monitoring of costs helps to guarantee that costs are managed in accordance with the results of Ibrahim and Lawal (2019). The findings of descriptive statistics indicates that majority of respondents rated the statement positive indicating that

continuous monitoring of expenditure is necessary in achievement of expenditure management.

The research respondents were asked to comment on whether an individual evaluation was made with relation to expenditure management. The study respondents Table 4.10 indicates that majority of respondents 72(52.9%) agreed that there are individual assessment of staff in Nandi county government. 31(22.8%) of the respondents disagreed with the statement. individual assessment of staff was further established to affect expenditure management in Nandi county with (mean=3.34, std. Dev. =1.196). Individual assessment is necessary for enhancing expenditure management which is in line with findings of Carr (2012). The findings of descriptive statistics imply that majority of respondents rated the statement positive indicating that individual assessment in regard to expenses is necessary in achievement of management of Expenditure.

The respondents were asked to comment on whether a monitoring unit existed in terms of expense. The majority 53 (39.0 percent) of respondents agreed to have a monitoring unit to monitor expenditure in the county of Nandi in Table 4.10. The statements were diverging 34(25.0 percent) from the respondents. In order to influence the cost management in the county of Nandi with the (mean=3.16, std. Dev.=1.125), monitoring unit was further developed. Establishing monitoring units helps to ensure there is expenditure management which is in line with findings of Omokonga (2014). The findings of descriptive statistics imply that majority of respondents rated the statement positive

indicating that monitoring unit is necessary in regard to monitoring of expenses to achievement of management of expenditure.

The study respondents were requested to give their opinions in regards to whether there is an internal review in regard to internal control practices. Table 4.10 indicates that majority of respondents 57(41.9%) agreed that there was an internal review of internal control practices in Nandi county. 36(26.5%) of the respondents disagreed with the statement. Internal review was further established to affect expenditure in Nandi county with (mean=3.11, std. Dev. =1.204). Internal reviews are not necessary in ensuring functioning internal controls which differed with the findings of Onyango (2017) that no internal reviews were being carried out nor was the function funded hence affecting the operations of monitoring of expenditure management. The findings of descriptive statistics imply that majority of respondents rated the statement positive indicating that internal review within county government is necessary in regard to management of expenditure in Nandi county Government.

4.5.5 Descriptive Statistics on Expenditure Management of Nandi County

The study focused on expenditure management of Nandi County and partially addressed on, capital, recurrent expenditures and statutory expenses as the main indicators of expenditures in Nandi County. The researcher wanted the opinions of the respondents on how such indicators relate to management of expenditure in Nandi County. The results were as presented in the Table 4.11.

Table 4. 11: expenditure management

		S.D	D	N	A	S.A	Mean	Std. Dev.
i. The county government capital expenditures are unmanageable	F	21	16	22	33	44	3.44	1.438
	%	15.7	11.9	16.4	24.6	31.3		
ii. Recurrent expenditures of the county are unsustainable	F	10	24	39	38	25	3.31	1.185
	%	7.5	17.9	29.1	26.9	18.7		
iii. County government delays in payment of statutory expenses	F	15	21	45	39	16	3.12	1.144
	%	11.2	15.7	33.6	29.1	10.1		

Source: Researcher (2020)

The participants in the research were asked to reply to the assertion that capital expenditures are unmanageable. The results of the survey in Table 4.11 reveal that 77(55.9 per cent) most respondents have agreed that government expenditures of the county of Nandi are not controllable. The statements were not accepted by 37(27.6%) of the respondents. It was supported with this finding (mean=3.44, std. Dev.=1.438). Lack of management leads to inefficient spending and lack of clarity in line with Oluwatobi & Ogunrinola's findings (2011). The findings of the descriptive statistics imply that majority of respondents agreed that capital expenditures are unmanageable in Nandi county government.

In replies, the majority of respondents 63 (46.3%) believe that recurrent expenses are unrealistic. In Table 4.11, the county has been invited to say that their recurring expends are unsustainable from the results of the study. The statements were diverging 34(25.0 percent) from the respondents. The mean (mean=3.21, StD. Dev.=1.185) has also been

supported. The results of the descriptive statistics show that the majority of respondents believed that the control of spending may be achieved when recurring costs are realistic.

Finally, the research respondents were asked to indicate that the county government delays the making of statutory costs. The outcomes of the study given in Table 4.11 show that most respondents agreed with 55 (40.5%), while 36(26.5%) disagreed with the declaration. This conclusion was also confirmed by a mean (mean=3.12, std. Dev.=1.144). The results of the descriptive statistics suggest that most respondents believed that the government should pay statutory spending to manage expenses.

Multicollinearity Test

The research evaluated the data to see if no connection was assumed between independent variables. Tolerance and variance inflation factor were the findings of the Multicollinearity test (VIF).The results are summarized in Table 4.12. The findings revealed that the tolerances of the five constructs ranged from 0.252 to 0.554. The VIF scores ranged from 1.73 to 3.97.

Table 4. 12 Multicollinearity statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Expenditure Management	.294	3.401
	Control environment	.278	3.595
	Control Activities	.252	3.969
	Information and communication	.502	1.990
	Monitoring	.554	3.258

Dependent Variable: Expenditure Management

The study revealed that the actions of control were more linked with the other independent variables (Tolerance = 0.252, VIF = 3.969). The second highest association with the other independent variables was the decision-making system control environment (Tolerance = 0.278, VIF = 3.595). The third-rated association with other independent variables was expenditure management (Tolerance = 0.294, VIF = 3.401). The forth rated association with other independent variables was Information and communication (tolerance = 0.502, VIF= 1.990) Monitoring exhibited a least association (Tolerance = 0.554, VIF= 3.258) to the other independent factors. The VIF values of this model are all below 10 and tolerance statistics are much more than 0.2 and indicate that no collinearity exists. Thus, the variance was substantially independent from each independent component and all factors in the prediction model were included. The multi-collinearity assumption is considered fulfilled. The findings were within the usual range, showing that the explanatory factors were not Multicollinearity.

4.6 Inferential Statistics

Inferential analysis was done to identify the link between the variables of the research. The study carried out inferential analysis utilizing the correlation coefficient and regression analysis for Pearson's product moment. The analysis of correlation between dependent and independent variables was performed to identify where a significant relationship existed between these variables. The findings of the analysis are as shown below:

Table 4. 13 overall correlation analysis results

		Expenditure Management	Control Environment	Control Activities	Information and Communication	Monitoring
Expenditure Management	Pearson correlation Sig.(2 tailed)	1				
Control environment	Pearson correlation Sig.(2 tailed)	.514* .013	1			
Control Activities	Pearson correlation Sig.(2 tailed)	.691* .027	.594** .001	1		
Information and communication	Pearson correlation Sig.(2 tailed)	.788* .001	.405** .000	.439** .000	1	
Monitoring	Pearson correlation Sig.(2 tailed)	.672* .000	.234** .006	.758** .000	.680** .000	1

** Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Source: Researcher (2020)

4.6.1 Correlation analysis

The relationship between control environment and expenditure management was analyzed. The results show positive and statistically significant relationship with ($r = 0.514$; $p < 0.05$). This implies that a unit change in control environment leads to 51.4% change in expenditure management in Nandi County Government. Therefore, this clearly

indicates that County governments in Kenya should put emphasis on control environment as a positive element in enhancing management of expenses. The correlation results are in tandem with the findings of Tinega et al., (2018) on his study on the effect of internal control on expenditure management in Kericho East district. The study established that control environment has a positive and significant effect on expenditure management.

The relationship between control activities and expenditure management was analyzed. The results show a positive and statistically significant relationship with (r = 0.691; p< 0.05). This implies that a unit change in control activities leads to 69.1% change on expenditure management. Therefore, County governments in Kenya should see control activities as a positive element in management of expenses.

The relationship between information and communication and expenditure management was analyzed. The results indicate a positive and statistically significant relationship with (r = 0.788; p< 0.05). This implies that a unit change in information and communication leads 78.8% change on expenditure management. Therefore, it is necessary for County governments in Kenya to view information and communication as a positive element in enhancing expenditure management. The finding concurs with Mugambi (2019) on their study on Effect of information communication technology adoption on financial management in meru county government. Thus, it established that information and communication has a positive and significant effect on expenditure management.

The relationship between monitoring and expenditure management was analyzed. The results show a positive and statistically significant relationship with(r =0.672, p< 0.05). This implies that a unit change in monitoring leads to 67.2% change on expenditure

management. Therefore, it's established that County governments in Kenya should establish monitoring measures in as an enhancement in expenditure management. The finding concurs with Tinega et al., (2018) study on the relationship between monitoring and expenditure management. They established that monitoring has a positive and significant effect on expenditure management.

4.6.2 Regression Analysis of the effects of control environment, control activities, information and communication and monitoring on Expenditure management

The study sought to investigate the effect of internal controls on expenditure management in Nandi county government. The result in table 4.14 on the next page shows the regression analysis of the effects of control environment, control activities, information and communication and monitoring on Expenditure management in Nandi County. The table has Model Summary, ANOVA and Coefficient results for the purposes of either rejecting or accepting the study hypothesis. The study used the regression coefficients (βeta,β) and the p-values(Significance values) to test the hypothesis. According to Creswell (2012).The test criteria is such that the study rejects the null hypothesis if $\beta 1$, $\beta 2$, $\beta 3 \neq 0$ and the significance values ($p < 0.05$) and accept the null hypothesis if $\beta 1$, $\beta 2$, $\beta 3 = 0$ and significance values ($p > 0.05$) The F-statistics results was used to test the goodness of fit of the model (Gujarati, 2004).

Table 4. 14: regression analysis results: control environment, control activities, information and communication and monitoring on expenditure management

Model Summary

	Model Summary			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.552	.571	2.696

Source: Researcher (2020)

a. Predictors: (Constant), Control Environment, Control Activities, Information & Communication and Monitoring.

b.Dependent variable : Expenditure management

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	228.550	4	57.137	7.864	.000[a]
	Residual	937.279	129	7.266		
	Total	1165.828	133			

a. Predictors: (Constant), Control Environment, Control activities, Information & Communication and Monitoring

b. Dependent Variable: Expenditure management

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.080	1.705		3.566	.000
	Control environment	.186	.0874	.165	2.127	.000
	Control Activities	.112	.0422	.043	2.657	.001
	Information& communication	.153	.0578	.161	2.645	.000
	Monitoring	.427	.120	.347	3.558	.000

Dependent Variable: Expenditure Management

Source: Researcher (2020)

From the model summary in the regression analysis results in table 4.14 above The R-square measured the model's best fit. R square measures the proportion of variance in the dependent variable (Expenditure Management) which can be predicted from the independent variables (control environment, control activities, information and communication and monitoring) . From the results it is clear that the variation in the independent variables in the study causes up to 55.2% of the changes in the dependent variable (expenditure management) . This showed that the independent variables had a substantial connection with the dependent variable. As predictor variables are added to the model each predictor will explain some of the variance in the dependent variable due to chance .From the adjusted R-squared results in the above table it is clear that Adding predictors to explain the dependent variable will yield more results to the R squared.The adjusted R square was 57.1% meaning that the statical model used in the study is fit and

the variations in the dependent variable could be explained up to 57.1% by the changes in the independent variables in the study. The standard estimator error is 2.696 showing that the variation in data was normally distributed .

Analysis Of Variance (ANOVA) test results in table 4.14 above indicates that the multiple regression model used in the study was highly significant and reliable in predicting how the study independent variables affect expenditure management as indicated by the P-significance value of (0.000<0.005). The F-ratio was 7.864, which is the variable factor with 4 degrees of freedom. This reflected the regression model's impact size and the model is significant to 95% confidence level (p 0.00<0.05).

4.6.3 Regression Coefficient

Regression coefficient was conducted in order to establish the beta coefficient values of each variable .From the coefficient results in table 4.14 the results indicated how a unit change in the independent variable causes changes in the dependent variable. From the coefficient regression results in Table 4.14 the study finds out control environment had a positive and significant effect on the management of expenses in Nandi county as indicated by (β=0.186; p<0.05).Control activities was established to have a positive and meaningful effects on expenditure management in Nandi county as shown by β value of 0.112 and significance p value 0.00 <0.05.Information and communication had positive and significant effects on the management of expenditure (β=0.153; p<0.05).Lastly monitoring and evaluation was established to have positive significant effects on expenditure management which had the highest positive and significant effect on expenditure management with (β=0.427; p value 0.00<0.05).

The regression model for expenditure management can be outlined as follows;

$$Y = 6.080 + 0.186X_1 + 0.112 X_2 + 0.153 X_3 + 0.427 X_4 \dots\dots\dots\dots Equation\ 4.1$$

The constant value of 6.080 implies that at zero control environments, control activities, information and communication and monitoring expenditure management is at 6.080 units. The control environment coefficient value of 0.186 units implies that ,holding other factors constant, a unit increase in control environment will result to 0.186 unit improvement in the management of expenditures in the county of Nandi. Coefficient value of 0.112 unit for the control activities implies that, holding other factors constant one unit increase in control activities will result to improvement in the management of expenditures in Nandi county by 0.112 units. Similarly the information and communication coefficient value of 0.153 implies that, holding other factors constant one unit increase in improvement of information and communication will increases expenditure management in Nandi county by 0.153 units. Lastly monitoring and evaluation of county resources had the highest impact on the improvement of management of expenditures in Nandi county. The results indicated that ,holding other factors constant, one unit change in monitoring of county resources will result to improvement in the management of expenditures by 0.427 units

4.7 Hypotheses Testing

The study was guided by four null hypotheses which were tested at a predictable level of 0.05. The results are summarized in table 4.18.

4.7.1 Hypothesis Testing of Control Environment and Expenditure Management

The first null hypothesis (H0$_1$) predicted that control environment has no significant effect on expenditure management in Nandi County. The results in table 4.17 indicate that control environment has a positive and significant effect on expenditure management in Nandi county (β=0.186; $p < 0.05$). The study therefore rejected the null hypothesis at 95% level of significance and accepted the alternative hypothesis which showed that control environment has a sizable impact on Nandi County's expenditure management. This means that control environment is attributed to the fact that it sets the tone and fosters an organizational culture of integrity, both of which are necessary for improving expenditure management. The County governments in Kenya have for a long while been faced with incidences of public finance mismanagement. In an environment that is trying to streamline management of public resources, this pointed out to a lack of understanding of either what Public Finance Management dictates or the implications of the queries.It is against this backdrop that the Council of Governors with support from the World Bank will hold a peer to peer learning mission in all the counties to improve their knowledge on the audit process using the Nyandarua County Model.

In view of prudent financial management, Counties need to strengthen their control environment like the internal audit departments and ensure their independence is maintained through establishment of internal audit committees. This will help identify and deal with the risks and challenges way before they are highlighted by the auditor general at the end of the Financial Year. This will help to improve the management of the county expenditures

These findings are corroboration of the conclusions of Whittington and Pany (2001), which control environmental factors, such as integrity and ethics; a commitment to competence; the philosophy and functioning of leadership; and the way management gives authority and responsibility to, organizes and developing its employees.

In addition, the study findings coincide with the fundamental principles from the Committee Of Sponsoring Organizations of the trade way commission (2013) that key environmental controls include the integrity, ethical values and competence of the company; the management's philosophy and operational style; how management assigns, organizes and develops authority and responsibility to its people; and the attention and direction of the board of directors. Additionally, the study's findings corroborate those of Tinega Naibei and Cheruiyoit (2018), who determined that control environments are necessary and significant to public expenditure and thus require special attention in order to improve government ministries' and departments' public expenditure management.

4.7.2 Hypothesis Testing of Control Activities and Expenditure Management

The second null hypothesis ($H0_2$) stated that; control activities have no significant effect on expenditure management in Nandi County. The study findings indicated that there was positive and statistical significant effect of control activities on expenditure management (β=0.112; $p < 0.05$). The study therefore rejected the null hypothesis at 95% level of significance. This implies that control activities are a necessary tool to enhance areas of improvement in expenditure management. These findings concur with the findings by Kewo (2017) who found that control activities have a significant effect on expenditure

management. These findings also concur to those found by Muskanan (2014) who indicated the need to use control activities tools for enhancement of in fiscal decentralization application in Malaysia.

The constitution of Kenya and the 2012 Public Finance Management Act require each of Kenya's 47 counties to publish budget information during the formulation, approval, implementation, and audit stages of the budget cycle therefore when internal controls are in place, it offers appropriate safety against hazards that may threaten the attainment of the county goals. Internal controls allows the public to shape county budget priorities, discuss trade-offs with their representatives in the county assemblies, and track whether the budget is delivering on what was agreed during consultations between the public, executive, and assembly .Reliability of finance reporting, efficient and successful operations of entities and respect for the laws and regulations in question all depend on good internal controls.

4.7.3 Hypothesis Testing of Information and Communication and Expenditure Management

The third hypothesis ($H0_3$) stated that; information and communication has no significant effect on expenditure management in Nandi County. The study findings indicated that there was a positive and significant effect on expenditure management (β=0.153; $p < 0.05$). The study therefore rejected the null hypothesis at 95% level of significance and accepted the alternate hypothesis which showed information and communication had significant effect on expenditure management in Nandi County. These findings are attributed to the fact that information and communication ensures that all expenses are captured thus enhancing expenditure management. These findings concur to the study by

Odoyo et al. (2013) who noted that information and communication is a necessary tool in ensuring proper accounting of funds. However the findings contradict with findings of Tinega et al., (2018) who found that communication channels were insignificant in expenditure management.

4.7.4 Hypothesis Testing of Monitoring and Expenditure Management

The fourth hypothesis ($H0_4$) stated that; monitoring has no significant effect on expenditure management in Nandi County. The study findings indicated that there was statistical significant effect of monitoring on expenditure management (β=0.427; $p <$ 0.05). The study therefore rejected the null hypothesis at 95% level of significance and accepted the alternate hypothesis which showed that there was effect of monitoring on expenditure management in Nandi County. These findings are attributed to the fact that monitoring is a necessary tool in ensuring internal controls are working efficiently in effort to ensure expenditure management.

Monitoring and Evaluation has been a key performance management tool for planning, decision making and economic policy management. With the new devolved structures of county governments and the rising fiscal devolution with respect to development policies, programs and projects in Kenya, there is dire need therefore for an effective national wide Monitoring of county government's expenditure. Further, with decentralization of accountability in light of the new governance structure in Kenya, line managers have become more responsible for non-core functions, such as human resource development and equity. The key strategic challenge is to increase public service effectiveness, so that the entire government achieves her desired policy outcomes and strategic objectives. This

makes national wide Monitoring and Evaluation of county government's expenditures in Kenya critically important.

The findings are in agreement to study done by Ibrahim and Lawal (2019) which found that monitoring positively influences expenditure management. These findings also concur to those found by Tinega et al., (2018) who indicated the need for continuous monitoring for the achievement of expenditure management.

Table 4. 15: summary of variables significance

Hypotheses	Coefficient Result	Sig	Decision rule
H_{01}: **Control environment has no Significant effect on expenditure management in Nandi County government.**	.186	.000	Null hypothesis rejected
H_{02}: **Control activities has no significant effect on expenditure management in Nandi County government**	.112	.001	Null hypothesis rejected
H_{03}: **Information and Communication has No significant effect on expenditure management in Nandi County government.**	.153	.000	Null hypothesis rejected
H_{04}: **Monitoring has no significant effect On expenditure management in Nandi County government.**	.427	.000	Null hypothesis rejected

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion on the thesis summary based on the earlier established research objectives. It further discusses major findings, conclusions and eventually provides directions in the form of recommendations.

5.2 Summary of Findings

5.2.1 Effect of control environment on expenditure management in Nandi County.

The first objective of this study was to evaluate the impact of control environment on expenditure management at Nandi County, Kenya. From the study Findings it was established that the control environment had a significant effect in the management of county expenditure. This involves improving the management of the county's spending through a control environment. The study found out that Control environment when implemented allows virtues of integrity among employees in finance departments which boost accountability in the utilization of the limited resources. Control environment also goes hand in hand in setting a culture of responsibility within an organization that can be emulated by any employee in regard to expenditure management.

5.2.2 The effect of control activities on Nandi County's expenditure management.

The study's second objective was to determine the effect of control activities on Nandi County's expenditure management. The study found a significant correlation between control activities and expenditure management in the County Government. This implies that control activities should be taken into account when enhancing expenditure

management in the Nandi county government. The study also found out that control activities was a necessary tool for detecting mismanagement of expenditure by the County Government.

5.2.3 Effect of information and communication on Nandi County's expenditure management.

The third objective of the study was to determine the effect of information and communication on Nandi County's expenditure management. The study's findings established a significant relationship between information and communication and county government expenditure management. This implies that information and communication technology are critical tools for improving expenditure management in the Nandi county government. The study also established that the advantage of having an effective information and communication process is that it allows credibility of information and also ensures timely information for decision making is achieved. It is relatively important to ensure information in regard to expenditure management is accurate and reliable in order to determine the capacity of county government in terms of expenditure management.

5.2.4 The effect of monitoring on Nandi County's expenditure management

The fourth objective of the study was to determine the effect of monitoring on Nandi County's expenditure management. The study's findings established a strong correlation between monitoring and expenditure management in the County Government.. This implied the need for continuous monitoring of expenditures in the various departments in order to achieve ideal expenditure management in Nandi county government. Continuous

monitoring of the expenditure management process helps to determine whether the systems in regard to expenditure management are working efficiently.

5.3 Conclusion

5.3.1 Effect of control environment on expenditure management in Nandi County.

The first Hypothesis postulated that Ho_1: There is no statistically significant relationship between control environment and expenditure management in Nandi county .The study findings established that there is a positive and significant relationship between control environment and expenditure management . This lead to rejection of the null hypothesis, that states that;. Therefore the study concluded that control environment had a strong positive relationship with the expenditure management in Nandi county   Control environment is a necessary for the achievement of expenditure management.

5.3.2 Effect of control activities on expenditure management in Nandi County.

The second Hypothesis postulated that Ho_2: There is no statistically significant relationship between control activities and expenditure management in Nandi county.
The study findings established that there is a positive and significant relationship between control environment and expenditure management this lead to rejection of the null hypothesis that states that; there is no statistically significant relationship between control activities and expenditure management in Nandi County. Therefore the study concluded that control activities had a strong positive relationship with the expenditure management in Nandi County

5.3.3 Effect of information and communication on expenditure management in Nandi County.

The third null hypothesis, Ho_3 : states that there is no statistically significant relationship between information and communication on expenditure management in Nandi County. The study found out that information and communication had a strong positive relationship with the expenditure management in Nandi County . This lead to rejection of the null hypothesis, that states that; there is no statistically significant relationship between information and communication on expenditure management in Nandi County. Therefore the study concluded that control activities had a strong positive relationship with the expenditure management in Nandi County

5.3.4 Effect of monitoring on expenditure management in Nandi County.

Finally, the last hypothesis Ho_4 stated that there is no statistically significant relationship between monitoring and expenditure management in Nandi County. However the study established that there was a positive and significant relationship between monitoring and expenditure management this lead to rejection of the null hypothesis, which states that; there is no statistically significant relationship between monitoring and expenditure management in Nandi County. Therefore the study concluded that monitoring had a strong positive relationship with the expenditure management in Nandi County

5.4 Recommendations

In light of the findings and conclusion of the study, the following recommendations are made:

5.4.1 Recommendations

The following suggestions for action are made in this study:

From the findings ,Control Environment exhibited a significant effect on expenditure management. It is therefore recommended that the management of the county governments in liaison with other key policy stakeholders should ensure that control environment is maintained in county governments. Control environment can be implemented by ensuring policies on ethical values are upheld by the expenditure management officers in the county governments. Also it is necessary to ensure integrity among employees involved in expenditure management.

The study established a significant positive relationship between control activities and expenditure management ,therefore based on the findings ,the study recommends that the county government's management should adopt policies on control activities which will help to enhance expenditure management.

The study established a positive and significant relationship between information and communication and expenditures. The county governments should ensure that there is effective information and communication line that will ensure information on expenditure management is received on timely basis to enhance decision making. An effective information and communication network will ensure relevant and reliable information in regard to management of expenditure in the county government.

Finally, based on the finding on the effect of monitoring on county expenditure ,the study recommends that county governments should ensure there is continuous monitoring of the expenditure in county governments. This can be possible through adoption of standards that provide for continuous monitoring and establishment of an independent monitoring unit to oversee expenditure management in the entire county.

The study showed that control environment is a critical factor for enhancement of expenditure management in county governments. The study also indicated that information and communication is a necessary factor for the achievement of expenditure management. This is supported by the technology acceptance model which alludes to the importance of having an efficient information and communication system which can be trusted. Reliable information is necessary in making accurate decisions. It's through the information governments can be able to know their status on how much has been spent to a certain period. Information and communication will be useful if it's communicated down, upwards and across all necessary departments responsible for consuming the information.

Lastly, the study indicated that monitoring is a critical factor for enhancement of expenditure management. This is supported by stewardship theory that explains the importance of effortless periodic reviews for corrective actions to be taken. Control is meant to keep performance or a state of affairs within what is allowed or accepted and should be championed by the entire implementation team. Monitoring will ensure all the internal control processes are working efficiently. Managements should endeavor to keep watch of all movements of expenses through auditors who can be watch dogs for

management by ensuring accountability of actions is observed by individuals tasked in management of expenditure.

5.4.2 Suggestion for Further Research

This study focused on the effect of internal controls on expenditure management. The researcher suggests that a further research need to be done on the same area but focusing on risk management variable which is a component of internal control which was not included in the current study in order to determine its influence on expenditure management. Future research should done in other non-government entities engaged in order to find out whether there is effectiveness of Internal Controls in achieving value in these entities which have different structures of governance. Lastly, further research can also be done on a mediated relationship with internal control as a moderator with another independent variable which affects expenditure management such pending bills.

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APPENDIX 1 : Nandi County 2017/18 Auditor General Report Excerpt

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NANDI FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Nandi set out on pages 1 to 34, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Nandi as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Statement of Assets and Liabilities

1.1 Accounts Payables

The statement of assets and liabilities as at 30 June 2018 reflects net financial assets figure of Kshs.1,292,348,205 which includes accounts payables figure of Kshs.743,727,329 described under note 23 to the financial statements as pending bills. However, it is not clear and management has not explained why pending bills were taken into account to arrive at net financial assets since the accounts are prepared on International Public Sector Accounting Standards (Cash Basis). Consequently, the accuracy and completeness of the net financial assets figure Kshs.1,292,348,205 could not be confirmed.

1.2 Deposits and Retention Money

The statement of assets and liabilities net financial assets figure of Kshs.1,292,348,205 does not include deposits and retention money deducted from the contractors during the year under review.

Under the circumstances, the accuracy and validity of the net financial assets figure of Kshs.1,292,348,205 as at 30 June 2018 could not be confirmed.

2.0 Statement of Cash Flows

The statement of cash flows for the year ended 30 June 2018 reflects net increase in cash and cash equivalents figure of Kshs.236,511,053 which is at variance with the computed net cash flow from investing activities figure of Kshs.507,216,276 resulting in unexplained or unreconciled variance of Kshs.270,705,223.

Consequently, the accuracy of the statement of cash flows could not be confirmed.

3.0 Statement of Appropriation: Recurrent and Development Combined

The statement of appropriation recurrent and development combined for the year ended 30 June 2018 reflects budget utilization difference for exchequer releases, proceeds from domestic and foreign grants, transfers to other Government entities, county own generated receipts, other grants and transfers and acquisition of assets figures which are at variance with the computed figures as summarized below:

Item	Final Budget Kshs.	Actual on comparable Basis Kshs.	Budget utilization difference as per Financial Statement Kshs.	Computed budget utilization difference Kshs.
Exchequer Releases	5,899,375,051	4,314,625,378	5,899,375,051	1,584,749,673
Proceeds from Domestic and Foreign Grants	305,860,928	161,936,642	305,860,928	143,924,286
Transfers from Other Government Entities	249,969,192	195,845,363	249,969,192	54,123,829
County Own Generated Receipts	385,438,659	197,886,883	385,438,659	187,551,776
Other Grants and Transfers	353,229,685	158,408,043	353,229,685	194,821,642
Acquisition of Assets	2,096,299,827	570,151,348	2,096,299,827	1,526,148,479

Under the circumstances, the accuracy of budget utilization variances for the listed items could not be confirmed.

Report of the Auditor-General on the Financial Statements of County Executive of Nandi for the year ended 30 June 2018

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4.0 Outstanding Imprest

The statement of assets and liabilities as at 30 June 2018 reflects nil imprest balance as disclosed under note 22 to the financial statements while the imprest register indicates an outstanding imprest of Kshs.758,280.

Under the circumstances, the accuracy and completeness of the nil imprest balance as at 30 June 2018 could be confirmed.

5.0 Construction of Early Childhood Development (ECD) Centers in Nandi County

The statement of receipts and payments for the year ended 30 June 2018 reflects acquisition of assets balance of Kshs.570,151,348 which include construction of buildings expenditure of Kshs.16,968,889. Available information revealed that the figure of Kshs16,968,889 was for materials procured for the construction of sixty (60) ECD centers,- two in each of the thirty sub-counties consisting of two classrooms and one office. However, the bills of quantities and engineer's estimate, procurement records such as requisitions, quotations, tender processing minutes, letters of award, certificate of inspection and acceptance were not made available for audit verification. Further, information revealed that materials procured for construction were being supplied directly to the construction sites without anybody on site to receive and verify the quality and quantity supplied. In addition, no status report was provided to indicate the level of completion. However, physical verification of the projects revealed that thirty-nine (39) ECDEs had not started.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.16,968,889 on construction of buildings for the year ended 30 June 2018 could not be confirmed.

6.0   Un supported Specialized Materials and Services

The statement of receipts and payments for the year ended 30 June 2018 reflects use of goods and services expenditure of Kshs.1,305,538,664 which includes an amount of Kshs.305,386,769 in respect specialized materials and services as disclosed in note 12 to the financial statements. However, documents such as payment vouchers, user requisition, copy of advertisement, tender processing minutes, contract agreements, letters of award and certificates of inspection and acceptance for the expenditure of Kshs.12,183,753 out of the total figure of Kshs.305,386,769 were not provided for audit verification.

In consequence, the validity, accuracy and propriety of the expenditure of Kshs.12,183,753 for the year ended 30 June 2018 on specialized material and services could not be ascertained.

Report of the Auditor-General on the Financial Statements of County Executive of Nandi for the year ended 30 June 2018

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APPENDIX 3: QUESTIONAIRE

QUESTIONNAIRES ON THE EFFECT OF INTERNAL CONTROL ON EXPENDITURE MANAGEMENT OF NANDI COUNTY GOVERNMENT.

The aim of this questionnaire is to gather data for an academic exercise. The information that you will give will be treated with greatest confidentiality and be used for academic purposes. Kindly Fill in your responses in the spaces provided in each of the questionnaire items .

Thank you

Cornelius Kipkorir Serem.

SECTION A: SOCIAL DEMOGRAPHIC DATA

(*Tick (   ) on the letter with your most suitable response*,)

1. What is your highest level of education?

    A. Certificate

    B. Diploma

    C. Degree

    D. Masters

2. What is your employment status?

    A. Permanent and pensionable

    B. Local contract

    C. Casual

3. How old are you?

    A. Below 20 years

    B. 21-40

    C. 41-60

    D. Above 60 years

4. How many years have you worked in the government?

    A. 1-5 years

    B. 6-10 years

    C. 11-15 years

    D. Above 16

5. Are you a resident of Nandi County?

    A. Yes

    B. No

SECTION B: Effect of Control Environment on Expenditure Management

To what extend does control environment affect Expenditure Management? Please rate the extent to which you agree with the following statements on the 5-point scale. **Strongly disagree = SD, Disagree=D, Neutral = N, Agree = A, strongly agree = SA**

Tick as appropriate

B	Control Environment	SD	D	N	A	SA
1	Organization discipline is adhered to in revenue collection in Nandi county.					
2	Organization structure is maintained in Nandi county government.					
3	Accounting officers practice ethical values.					
4	Employees in finance department uphold integrity values.					

SECTION C: Control activities on Expenditure Management

To what extend does control activities affect Expenditure Management? Please rate the extent which you agree with the following statements by indicating your position on the 5-point scale. Strongly disagree = SD, Disagree=D, Neutral = N, Agree = A, strongly agree = S

Tick as appropriate

C	Control Activities	SD	D	N	A	SA
1	There is authorization of expenditures by the management.					
2	Nandi county officers verify documents on expenditures.					
3	There is approvals of all expenditures at all levels before being incurred					
4	Transaction of and events are classified properly and promptly in transaction record in Nandi County.					

SECTION D. Effect of Information and Communication on Expenditure Management

To what extend does information and communication affect Expenditure Management? Please rate the extent to which the following statement apply to Nandi county by indicating your position on the 5-point scale. **Strongly disagree = SD, Disagree=D, Neutral = N, Agree = A, strongly agree = SA**

Tick as appropriate

D	Information & communication	SD	D	N	A	SA
1	There is effective reporting of expenditures to be incurred achieved in a particular year.					
2	Nandi county treasury department Receives timely, relevant, and reliable reports for decision-making.					
3	Nandi county government has established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.					
4	Information fed in the expenditure management is reliable and relevant.					

SECTION E: Effect of Monitoring an Evaluation on Expenditure Management

To what extend does monitoring affect Expenditure Management? Please rate the extent to which the following statement apply to Nandi county on the 5-point likert scale **strongly disagree = SD, Disagree=D, Neutral = N, Agree = A, strongly agree = SA.**

Tick as appropriate

E	Monitoring	SD	D	N	A	SA
1	There is continuous monitoring of the Expenditure management process in Nandi county					
2	There is assessment of county government staff from time to time by the Nandi county management					
3	Nandi county has established an independent monitoring unit.					
4	There are Internal reviews on implementation of internal control practices.					

Section F: Effect of Internal Controls on Expenditure Management

On a five point Likert scale ,rate the extent to which the following statements of internal controls on expenditure management apply in Nandi County . **Strongly disagree = SD, Disagree=D, Neutral = N, Agree = A, strongly agree = SA**

Tick as appropriate

F	Expenditure Management	SD	D	N	A	SA
1	Capital expenditure is un manageable in the county government					
2	Recurrent expenditure is un sustainable in the county government					
3	Statutory expenses form the main expenditures of the county government.					

End

Thank you for your cooperation.