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INTERNAL CONTROLS AND MANAGEMENT OF PUBLIC FUNDS IN COUNTY GOVERNMENTS IN KENYA

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Abstract: *The purpose of this study was to assess the effect of internal controls on management of public funds by the county governments in Kenya. The primary data was collected using a questionnaire, and data was analysed using descriptive and inferential statistics. Study findings found that monitoring controls had a significant effect on the management of the public funds at the County Governments of Kenya. It was further found that the reporting controls were integral internal controls that played a central role to the management. The research recommends that there is need for the counties through the county treasuries to ensure effective communication and information sharing regarding financial information.*

Keywords: *Internal Controls, Monitoring Controls, Reporting controls, Public Funds*

1.0 INTRODUCTION

1.1 Background of the Study

In the current modern world, management of public funds is becoming a sensitive affair, as every citizen is eager to know whether their taxes are effectively and accountably utilized by those in authority to offer public services. This has seen a surge in the emphasis for internal controls meant to streamline how public funds are utilized and enhance accountability. Internal controls are a crucial component of any organization's financial management and operational processes. They refer to the systems, policies, procedures, and practices that a company puts in place to ensure that its assets are safeguarded, its financial information is accurate, and its operations are conducted efficiently and effectively (Abdullah & Maryanti, 2021). Internal controls play a vital role in mitigating risks and providing assurance to stakeholders that the organization is operating in a transparent and accountable manner. Internal controls are primarily meant to safeguard company's and public assets against theft, loss, or misuse, ensure the accuracy and reliability of financial information and reports, ensure compliance with laws, regulations, and internal policies and promote operational efficiency and effectiveness (Harasheh & Provasi, 2023).

One of the core components of internal controls is control environment. This sets the tone at the top of the organization and influences the control consciousness of employees. It includes the organization's ethics, integrity, and commitment to internal control (Winarna et al., 2021). The other aspect is risk assessment. This involves identifying, assessing, and prioritizing risks that could impact the achievement of the organization's objectives. This involves considering internal and external factors (Nawawi & Salin, 2018). Control activities comprise of specific policies, procedures, and practices that are implemented to mitigate identified risks. They can include authorization procedures, segregation of duties, and physical safeguards (Abdullah & Maryanti, 2021). The other internal control component is information and communication. This involves ensuring that relevant information is identified, captured, and communicated in a timely and accurate manner, both internally and externally. Monitoring is an internal control component that involves ongoing evaluation of the effectiveness of internal controls (Ciarko & Paluch, 2022). It can include internal audits, management reviews, and other forms of oversight.

County governments are faced with increasing issues of misappropriation and misuse of public funds, raising the question on the internal controls put in place as required by the law. The counties lack key controls like segregation of duties which involves dividing tasks and responsibilities among different individuals or departments to reduce the risk of fraud or errors (Kazemian et al., 2019). For example, the person who authorizes a payment should not be the same person who approves it. According to Dewi, Nasfi, and Yuliza (2021), government institutions and platforms like the county governments have to embrace internal controls in aspects such as authorization and approval of transactions in order to ensure accountable use of public funds. According to Harasheh and Provasi (2023), transactions and activities should require proper authorization and approval. This can include approvals for expenditures, hiring, or capital investments.

Internal controls play a critical role in ensuring the accuracy of financial statements. Effective internal controls provide assurance to external stakeholders, such as investors and regulators, that the reported financial information is reliable. They are essential mechanisms that county governments can implement to safeguard their assets, ensure financial accuracy, comply with regulations, and enhance operational efficiency. They are a fundamental part of good governance and risk management within an organization.

1.2 Statement of the Problem

The public sector is poorly managed in the developing countries. Lack of management structures and corporate governance has resulted in poor performance of the public sector. The public Sector in Kenya is plagued with severe deficiencies in the delivery of services, mismanagement of funds, lack of accountable financial management, and financial transparency remaining poor in general. The sector's worrying performance is caused, among other reasons, by financial and capacity constraints, including the absence of a commercial orientation to services, institutional deficiencies, and the lack of systemic incentives to deliver ongoing quality services (Ray and Kurt, 2011).

Odei (2011) examined the internal control procedures in Papso Ghana Limited, to assess the effectiveness of internal controls in Papso Ghana Limited, Jean (2014) undertook a study to determine if internal audit lead to the business growth, Carl (2013) examined whether the results of external audits may be used as an objective measure of internal audits' benefits, Mbuti (2014) determined the effect of internal audit reporting on financial performance of SACCOs, Ondieki (2013) determined the effect of internal audit on financial performance in commercial banks in Kenya. While these studies have shown the need for internal controls in modern organizations, they have focused on different contexts and concepts. This study therefore sought to assess the effect of internal controls on management of public funds by county governments in Kenya.

1.3 Study Objectives

The study general objective was to assess the influence of internal controls on management of public funds by the county governments in Kenya with specific objectives to;

i. To assess the effect of monitoring controls on the management of public funds among County Governments in Kenya

ii. To assess the effect of reporting controls on the management of public funds among County Governments in Kenya

2.0 LITERATURE REVIEW

2.1 Institutional Theory

The study was anchored on the institutional theory. The theory explores how formal and informal rules, norms, and practices shape the actions and structures of organizations. Institutions are defined as the established patterns of behavior, beliefs, and customs that govern social interactions. The theory suggests that organizations adopt certain practices and structures because they are considered legitimate within their social and cultural context. This applies to internal controls as organizations may implement controls that are widely accepted and expected in their industry or sector. Following industry-specific control frameworks can enhance the legitimacy of an organization's control environment. According to Li (2020), organizations conform to legal and regulatory frameworks to avoid legal sanctions and gain legitimacy in the eyes of stakeholders. The theory, therefore, explains why key internal controls such as monitoring controls and reporting controls stand a chance to streamline how county governments utilize and manage the public funds.

2.2 Empirical Literature Review

Monitoring controls are strategies and approaches set to guarantee that each handled exchange is done properly to check wastage, misrepresentation and improper utilization of those assets. By utilization of inside controls, establishments achieve the put forth objectives, block misfortunes of the assets, improve reports that can be depended upon and ensure that they consent to the set guidelines without abusing the law. Endeavors to gain ground on inside control are being made across each nation to raise the inflows of income and be cutthroat in the changing monetary climates (Kantzos & Chondraki, 2013). Interior control involves 5 interrelated components; control jobs, evaluation of chance, checking and data and correspondence (Carmichael, 2013).

A study by Khan et al., (2020) sought to evaluate the role played by monitoring controls on the use of public funds in Pakistan. The findings revealed that internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures (Khan et al., 2020). Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

Nawawi and Salin (2018) on the other hand, investigated the weaknesses of internal control in the expenditure claim process. To explore employees' opinions regarding occupational fraud and whether a company's working environment contributes to employee fraud. The study findings revealed lack of effort taken by the company to update their internal control system resulted in weak internal control on the expenditure claim procedure hence, resulting in occupational fraud opportunity. Hence constant update is necessary to prevent fraud opportunity. This was supported by the study of Suh et al. (2019) which focused on compliance on how to detect and prevent occupational fraud. This study made finding that risk assessment can prevent fraud opportunity, however because of the Achilles hill of collusion and overrides irrespective of internal controls, fraud may never be completely eradicated. On the other hand, Maulidi and Shonhadji (2020) argue from their findings that poor monitoring results in the opportunity for individuals to commit fraud and this fraud may go undetected.

Reporting controls, as part of internal control systems, play a critical role in ensuring the accuracy, reliability, and transparency of an organization's financial and non-financial information (Raji et al., 2020). Reporting controls encompass a range of processes, procedures, and safeguards designed to guarantee that the data presented in various reports, statements, and disclosures are complete, accurate, and in compliance with relevant regulations and standards. According to Kokina and Blanchette (2019), effective reporting controls involve ensuring data integrity where the controls are implemented to ensure the accuracy and completeness of data captured and processed for reporting purposes. This may involve data validation checks, reconciliations, and the prevention of unauthorized changes (Chang et al., 2019).

For efficient and effective reporting controls, there ought to be assigning responsibilities for different aspects of the reporting process to different individuals helps prevent conflicts of interest and unauthorized manipulation of data. For instance, the person inputting data might not be the same person who approves or reviews it. There should also be a clear audit trail of changes, approvals, and reviews are crucial for accountability and transparency (Chalmers, Hay, &Khlif, 2019). Any modifications or corrections should be documented and easily traceable. While assessing the role played by reporting controls in effective and accountable management of public resources, Brown (2020) established that reporting controls were integral in public finance as they enhanced effectiveness in the review and approval processes through establishment of formal review and approval procedures that ensures the reports are thoroughly checked for accuracy and compliance before being finalized and disseminated.

Turner, Weickgenannt, and Copeland (2022) while examining the role of reporting controls revealed that the best way to ensure accountable use of public finances is through embracing reporting automated controls which help in flagging anomalies, perform validations, and generate alerts when predefined thresholds are breached. Further, Turner et al. (2022) indicated that internal reporting controls serve to strengthen both internal and external compliance whereby they are aligned with both internal policies and external regulations, such as generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS), to ensure the organization's reports are in line with industry standards.

A study by Chen, Lin, Lu, and Zhou (2020) sought to evaluate the role played by internal reporting controls in steering organizational success through strengthening the accountable use of resources. Their findings revealed that reporting controls helped in ensuring timeliness by ensuring that the reports are produced within the required timeframes, especially for financial reporting periods, thus promoting openness and accountability. According to Chen et al. (2020), reporting controls contribute to the credibility of an organization's financial and operational information by reducing the risk of errors, misstatements, and fraudulent activities, thereby enhancing the organization's ability to make informed decisions and maintain trust among stakeholders.

A study by Akwaa-Sekyi and Gené (2016), sought to evaluate the role played by reporting controls on performance of listed Spanish banks. The study established that the reporting controls encompasses exercising oversight responsibilities, a show of assurance to integrity and ethical values, instituting structures, show of assertion to competence, authority and responsibility and implementing accountability. Shanmugan and Bourke (2016) analyzed the effect of reporting controls on credit risk management of firms in Thailand. The study applied descriptive research design. The research established that the reporting controls shows the overall cognizance of both organization’s governing body and the executives of the firm, and their outlook as well, in assigning necessary unique control activities.

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive research design. The design entails answering for the questions why, how, when and what thus intensively enhancing answering or the research questions. A descriptive design is deemed appropriate for its ability to both quantitatively and qualitatively respond to the research questions, thus enabling this study to assess the effect of internal controls on management of public funds at the county government.

Target population

The target population was the 47 counties in Kenya. The constitution of Kenya (2010) establishes the 47 county governments which undertake the devolved functions. Each of these counties has County Executive Committee member (CEC) who is in charge of the finance docket. These are more informed on the financial matters of their respective counties, including the internal controls that they put in place to ensure accountable use of the allocated funds. Considering the target population was small, a census was adopted.

Data Analysis

The data was collected using a structured questionnaire, and analysed quantitatively using descriptive and inferential statistics. The following regression model shown by equation 1 was utilized for analysis:

$Y = \alpha+\beta_1X_1+ \beta_2X_2+ \varepsilon$ ………………………………………………………………… (1)

Where:

Y = Management of Public Funds (Dependent variable)

X_1= Monitoring Controls

X_2 = Reporting Controls

ε = Error term (standard error)

Monitoring controls was measured using continuous assessments, routine internal audits, supervisory and reviews, and verification of internal systems. Reporting controls were measured using reporting practice, progressive reports, timeliness of financial reporting, and analysis of the reports. Analysis of Variance (ANOVA) test was carried out to establish the viability of the model. The findings were presented using tables.

4.0 RESEARCH RESULTS AND DISCUSSIONS

4.1 Preliminary information

The study assessed the effect of internal controls on management of public funds by the county governments in Kenya. The questionnaires were administered to all the 42 sampled respondents in the 42 counties across the country (excluding the 5 counties used in pilot study). Out of the 42 questionnaires issued, 41 were dully filled and returned for analysis. This represented a response rate of 97.6%, with none response of 2.4%. According to Saunders (2019), a response rate of between 50% and 70% is adequate to represent the sampled respondents. This implies that the study's response rate of 97.6% was within the threshold and considered adequate for the study. The demographic results revealed that most of the respondents had worked at the counties for a period of less than 5 years, while majority had background training on accounting and finance or related field. In-service training for most of the respondents was done at least once every year, which implies that they obtained the much needed skills on accounting and finance to enable them understand the aspects of internal controls.

4.2 Descriptive Statistics on Monitoring Controls

The study sought to examine the effect of monitoring controls on management of public funds in county governments in Kenya. Table 1 shows the findings. The findings revealed that majority of the respondents disagreed with the statement that there were continuous assessments carried out to evaluate the utilization of the allocated funds in various departments (Mean = 1.95; Standard Deviation = 0.94), and that their respective counties treasury processes were monitored and reported as required (Mean = 2.82; Standard Deviation = 1.43). Majority of the respondents further disagreed that there was adequate supervision of decentralized operations regarding public funds at their respective County's treasury (Mean = 2.19; Standard Deviation = 0.84). Majority of the respondents disagreed that the employees' reporting structure and relationships were clearly established and communicated (Mean = 2.17; Standard Deviation = 1.04).

In a study by Pakurár-*et al.,* (2019) who established that most of the public entities were failing to optimize effective use of public funds due to inability to put adequate monitoring control measures in their internal systems and processes. The findings from our study are similar to the findngs by Pakurár-*et al.,* (2019). Our study findings further imply that monitoring controls have not been effectively upheld in most of the counties, and this has seen a continued increase in mismanagement of public funds. As noted by Al-Gamrh-*et al.* (2020), due to inefficient ways of monitoring and evaluating the use of public funds, there has been a surge in corruption cases and misappropriations which have deprived the public the services they expect from state agencies and organizations.

Table 1: Descriptive Results of Monitoring Controls

Statement	Mean	Std. Dev.
My county carries out regular continuous assessments on funds utilization	1.95	0.94
My county treasury processes are monitored and reported as required	2.82	1.43
There is adequate supervision of decentralized operations regarding public funds at the County treasury	2.19	0.84
Employees' reporting structure and relationships are clearly established and communicated	2.17	1.04
The county departments are frequently audited	3.14	1.52
My county has active Monitoring and Evaluation committees	3.27	1.56
Internal systems are frequently verified in line with the regulations	2.75	1.47

4.3 Reporting Controls

The study further assessed the effect of reporting controls on the management of public funds among County governments in Kenya. Specific statements developed and used to assess the respondents' level of agreement or disagreement with the role played by reporting controls in enhancing management of public funds at the counties.

The findings in Table 2 portrayed that most of the counties surveyed lacked a set framework and approach of reporting financial activities as evidenced by a mean of 2.42 and a standard deviation of 1.63. The respondents disagreed that the reports regarding financial expenditures for different departments were adequately prepared (Mean = 2.92; Standard Deviation = 1.46), and that the reports were evaluated to ensure they accurate and realistic (Mean = 2.46; Standard Deviation = 1.24). The findings further revealed that most of the counties' reports were not progressively and independently prepared without any intrusion (Mean = 2.53; Standard

Deviation = 1.39). According to Kabuye-*et al.* (2019), intrusion and lack of independence in the preparation of financial reports among public organizations is a major indicator of a compromised reporting process, which leads to alterations meant to hid deficiencies and misappropriations. The findings concur with those by Dakhlallh *et al.*, (2020) who noted that the surge in corruption cases and misappropriation of public funds was a major indicator of lack of efficient and effective reporting controls. According to Chen *et al.*, (2020), without effective reporting controls, the financial dealings of the public entities remain hidden from the years of the public, and this leads to lack of accountability and transparency.

Table 2: Descriptive Results of Reporting Controls

Statement	**Mean**	**Std. Dev.**
There is a set framework and approach of reporting financial activities of the county	2.42	1.63
Reports regarding financial expenditures for different departments are adequately prepared	2.92	1.46
The reports are evaluated to ensure they accurate and realistic	2.46	1.24
The reports by the county are progressively and independently prepared without any intrusion	2.53	1.39
The County treasury dealings with employees, suppliers, and stakeholders open and verifiable	2.36	1.79
The county treasury has adequately reports the available policies on the expected code of conduct among stakeholders	2.53	1.02
The financial reports for the county departments are timely prepared and presented	2.48	0.97
The county treasury determines the level of knowledge and skills needed to perform reporting of county expenditures	2.68	1.01
The reports by the county treasury are analyzed and published for clarity and openness	2.34	1.38

4.4 Management of Public Funds

The study sought to examine the management of public funds among the county governments in Kenya. From the findings, it was established that the respondents disagreed with the statement that all the staff in their respective counties were trained effectively on the use of integrated financial management information system (IFMIS) (Mean = 2.73; Standard Deviation = 1.24), and that the county treasury had a full and effective control of the expenditure of all county departments (Mean = 2.74; Standard Deviation = 1.49). The findings imply that the management of public funds at the county governments was still inefficient and this is a clear indication that the counties have not been able to meet their mandates due to diverted revenues.

Table 3: Descriptive Results of Management of Public Funds

Statement	**Mean**	**Std. Dev.**
All staff are trained effectively on the use of integrated financial management information system (IFMIS)	2.73	1.24
The county treasury has a full and effective control of the expenditure of all county departments	2.74	1.49
Implementation of financial regulations have brought about transparency in financial management at the county treasury	2.75	1.37
The county treasury ensures the involvement of all stakeholders in financial decision making	2.56	1.30
Financial statements and reports are prepared regularly and on a timely basis	2.94	1.29
The county has recorded a decline in the number of corruption cases in the past three years	2.72	1.46
There are adequate funds to deliver public services due to reduced cases of funds-mismanagement	2.90	1.56
The operations of the county are not transparent to the members of the public	2.15	1.01
The county is now able to meet its financial obligations that it was three years ago	2.29	1.32

4.5 Regression Analysis Results

Correlation analysis was carried out to examine the correlation between the independent variables and the dependent variable. As the results on Table 4 portray.

Table 4: Correlation Analysis Results

		Management of Public Funds	Monitoring Controls	Reporting Controls
Management of Public Funds	Pearson Correlation	1	.781	.798
	Sig. (2-tailed)		.000	.000
	N	41	41	41
Monitoring Controls	Pearson Correlation	.781	1	
	Sig. (2-tailed)	.000		
	N	41	41	
Reporting Controls	Pearson Correlation	.798	.468	1
	Sig. (2-tailed)	.000	.000	
	N	41	41	41

The correlation coefficient between "Management of Public Funds" and "Monitoring Controls" is 0.781. This indicates a strong positive correlation between these two variables. As the "Management of Public Funds" increases, there is a tendency for "Monitoring Controls" to also increase. The correlation coefficient is statistically significant at the 0.05 level (Sig. = 0.000), indicating that this correlation is unlikely to occur by chance.

The correlation coefficient between "Management of Public Funds" and "Reporting Controls" is 0.798. This also indicates a strong positive correlation between these two variables. As the "Management of Public Funds" increases, there is a tendency for "Reporting Controls" to also increase. The correlation coefficient is statistically significant at the 0.05 level (Sig. = 0.000), suggesting that this correlation is unlikely to occur by chance.

The correlation coefficient between "Monitoring Controls" and "Reporting Controls" is 0.468. This indicates a moderate positive correlation between these two variables. As "Monitoring Controls" increases, there is a tendency for "Reporting Controls" to also increase, but the strength of the relationship is weaker compared to the previous correlations. The correlation coefficient is statistically significant at the 0.05 level (Sig. = 0.000), indicating this correlation is unlikely to occur by chance.

4.5.1 Monitoring Controls and Management of Public Funds at County Governments

The study sought to establish the statistical relationship between Monitoring Controls and Management of Public Funds at County Governments in Kenya. The model summary as shown in Table 5 next page revealed that the R-Square for the model was 0.611. This is an indication that 61.1% variation in Management of Public Funds at County Governments is as a result of Monitoring Controls. The ANOVA results revealed that the F-statistics for the model was 61.133 at a significant level of $0.000<0.05$. This is an indication that the model is statistically significant to predict the relationship between Monitoring Controls and Management of Public Funds at County Governments in Kenya.

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Table 5: Regression Model Results on the Relationship between Monitoring Controls and Management of Public Funds at County Governments

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781[a]	.611	.601	.34897

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.445	1	7.445	61.133	.000[b]
	Residual	4.749	39	.122		
	Total	12.194	40			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.350	.259		1.350	.185
	Monitoring Controls	.865	.111	.781	7.819	.000

a. Dependent Variable: Management of Public Funds at County Governments

From the regression coefficients results shown in Table 5, it was established that the Beta coefficient (β) for the Monitoring Controls was 0.865. This is an implication that a unit change in Monitoring Controls would influence the Management of Public Funds at County Governments in Kenya by 0.865 units. The P-value for the variable was 0.000 which is less than the standard p-value of 0.05. This implies that there is a significant relationship between Monitoring Controls and Management of Public Funds at County Governments in Kenya. The findings concur with those by Winarna *et al.,* (2021) who established that Monitoring Controls significantly contributes to accountable and responsible management of public funds. Ndegwa and Mungai (2019) further noted that through Monitoring Controls, organization were able to streamline their expenditures with their capabilities and performance to minimize overconsumption and misappropriations.

4.5.2 Reporting Controls and Management of Public Funds at County Governments

The regression model results for the relationship between Reporting Controls and Management of Public Funds at County Governments are as shown in Table 6. As the results portray, The R^2 for the model was 0.636. This means that through Reporting Controls, there was a 63.6% variation in the Management of Public Funds at County Governments in Kenya. The Analysis of Variance Results on the other hand revealed that at F-value of 68.281, the model was significant at a P-value of 0.000<0.05. This is an indication that the model is statistically significant to predict the relationship between Reporting Controls and Management of Public Funds at County Governments in Kenya.

The regression coefficients results showed that the Beta coefficient for Reporting Controls was 0.668, which is an indication that a unit change in Reporting Controls would influence the Management of Public Funds at County Governments in Kenya by 0.668 units equivalent to 66.8%. The P-value of 0.000<0.05 is an indication that there is a significant relationship between Reporting Controls and Management of Public Funds at County Governments in Kenya. The findings concur with those by Budiana-*et al.,* (2019) who established that Reporting Controls played an instrumental role in enhancing accountable use of organizational financial resources. According to Ndegwa and Mungai (2019), continued embrace of effective control measures in financial reporting ensures a more open manner of transaction framework thus promoting a more responsible use of financial resources.

Table 6: Regression Model Results on the Relationship between Reporting Controls and Management of Public Funds at County Governments

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798[a]	.636	.627	.33714

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.761	1	7.761	68.281	.000[b]
	Residual	4.433	39	.114		
	Total	12.194	40			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.782	.195		4.009	.000
	Reporting Controls	.668	.081	.798	8.263	.000

a. Dependent Variable: Management of Public Funds at County Governments

4.6 Discussion of Findings

The findings revealed that most of the counties surveyed did not have continuous assessments carried out to evaluate the utilization of the allocated funds in various departments. The counties also did not ensure that their respective departments from time to time reported their continued use of the allocated funds. The findings portrayed that indeed monitoring controls had a significant effect on the management of public funds at the county governments in Kenya. This is an indication that the poor management of public funds by the county governments is strongly and significantly attributed to inefficient monitoring controls.

The results further revealed that most of the counties surveyed lacked a set framework and approach of reporting financial activities. The counties also did not adequately prepare the reports regarding financial expenditures for different departments, and that the reports were not effectively evaluated to ensure they accurate and realistic. It was further revealed that reporting controls had a significant impact on the management of public funds among the county governments in Kenya. This is an implication that the increased misappropriations of public funds at the county governments could be highly attributed to ineffective reporting controls.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concluded that monitoring controls were key internal controls that played a significant role in determining the management of public funds at the county governments in Kenya. The counties were not efficient in carrying out continuous assessments and routine internal audits to unearth any impending misappropriation. Moreover, by not have effective supervisory frameworks and reviews and with no proper verification of internal systems, the counties were exposed to misappropriations in the management of public funds.

The study further concluded that the reporting controls were integral internal controls that had a central role to play in the management of public funds at the county governments in Kenya. It is concluded that the counties were not keen on having consistent reporting practices and preparation of progressive reports, thus leaving most of the financial operations to the risks of being manipulated for the purpose of diverting public funds. The inadequate analysis of financial reports was a prerequisite for mismanagement of public funds at the county governments.

5.2 Recommendations

The study recommended that the county governments through the county treasuries should embrace monitoring controls as a way of enhancing accountable use of the devolved public funds. The counties ought to ensure that they have well-formulated frameworks for assessing the financial processes and carrying out internal audits so as to unearth any misappropriation early enough.

The study recommends that there is need for the county governments through the county treasuries to ensure effective communication and information sharing regarding financial information. Through enhanced communication, the counties will enhance openness and accountability, thus reducing the misappropriation of public funds. It is also essential for the counties to embrace information systems that support efficient communication for communication that is more robust and flow of information.

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