

ABSTRACT

Organizations face common risks in the form of failures in internal control mechanism, financial fiasco, catastrophe or environmental disasters, non-compliance, and regulatory violations. The public sector is undergoing transformation towards more efficient and effective delivery of services. To ensure sustainable, efficient and effective daily operations, management of any organization must come up with internal control procedures that guide in allocating, controlling and ensuring efficient utilization of resources so as to achieve the overall objectives of an organization. However, internal control is not a sole procedure or policy performed at a certain point but rather a continually operating, integrated system at all levels within an organization. Prior studies have not explored the influences of control activities on financial management. The purpose of this study is, therefore, to analyze how internal controls and in specific how the control activities impact on financial management of Counties in Western Kenya. The specific objectives will be to: determine the influence of Internal Audit function, effects of policy on authorization and approval for all transactions on financial management and the effects of segregation of duties on the financial management by the county governments of western Kenya region in financial management. The study will be anchored on agency, system and financial control theories. A survey research design will be employed. The study population shall be the 150 heads of department and senior managers in the financial and accounting departments in all the 10 counties. A purposive sampling technique will be used to arrive at a sample size of 109 chief officers, head of accounting services, directors of internal audit and budget, accountants in charge of payments, departmental accountants, examination officers and Authority to Incur Expenditure holders who shall constitute the respondents in the study. Structured self-administered questionnaires will be used to collect primary data. Secondary data will be collected through desk reviews. Reliability of questionnaire will be tested on pilot data from 10 respondents. Results from the pilot study shall be excluded from the main study. Cronbach reliability coefficient will be used for reliability test. Content validity will be done using expert reviewers. Data will be analyzed using descriptive statistics and inferential statistics done with multi regression analysis to show support for the proposition that internal control activities influence financial management in counties of Western Kenya. Statistical Package for Social Sciences (SPSS) V. 21.0 will be used. The study findings will be of significance to management of county governments in getting an in-depth knowledge of how the control activities they have put in place are working. In addition it will form a basis for future research on other areas internal control practices.