

**THE EFFECT OF INTERNAL CONTROL SYSTEMS ON THE MANAGEMENT OF  
REVENUE FUNDS IN THE COUNTY GOVERNMENT OF NAKURU, KENYA**

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Requirements of the Award of the Degree of Master of Business Administration  
(Accounting Option) of Egerton University**

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## **DECLARATION AND RECOMMENDATION**

### **Declaration**

The research is my original work and has not been presented for examination in any other university for the award of an academic certificate.

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Date: 14<sup>th</sup> November, 2025

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### **Recommendation**

The research has been presented for examination with my approval as the university supervisor

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## **DEDICATION**

The research project was dedicated to my husband, Mr James Machora, and my children: Rey Otworu, Sharon Magoma, and Derrick Osumo, who supported me during my studies.

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I am grateful to the Almighty God for His providence which enabled me to complete my studies. My sincere thank you goes to my supervisor, Dr Robert Mugo for his guidance throughout this study. I deeply appreciate my husband and children for their support and inspiration and I honor my late parents who encouraged my education at a time when opportunities for girls were limited. I also thank the Egerton University and the lecturer and my classmates for providing a rich and nurturing environment for learning.

## ABSTRACT

Internal control systems are tools that monitor an organization's progress toward its objectives. The study sought to evaluate how internal control mechanisms influence revenue management in Kenya's Nakuru county administration. In specifically, this article investigated how control activities, risk assessment, control environment, information and communication, and monitoring activities connect to revenue management in Nakuru County. The study was grounded in the agency theory, the new public management theory and the financial control theory. The descriptive method of study was applied where 504 employees in the Nakuru County Treasury Department were the targeted population. On a simple random sampling, a sample of 84 workers was obtained. The sample size was calculated through a formula Nassiuma 2000. Primary data were collected in the form of closed questionnaires that were processed by SPSS (Version 23) to give the descriptive statistics, correlation analysis, simple and multiple regression. The study established significant positive relationships between the control activities and the revenue management ( $r = 0.656, p < 0.05$ ), and the control environment and revenue management ( $r = 0.694, p < 0.05$ ). Risk assessment and monitoring had a positive relationship with revenue management ( $r = 0.669, p < 0.05$ ) and information and communication ( $r = 0.736, p < 0.05$ ). As per the regression study, the control activities, risk assessment, control environment, information and communication, and monitoring had a significant effect on the revenue management. Internal control system significantly affected it ( $R^2 = 0.0703, F = 36.908, p < 0.05$ ). The study revealed that the revenue management of the Nakuru County depends on the internal control system a great deal. Nakuru County should ensure that there are proper monitoring strategies such as budgetary allocations to facilitate proper management of revenues through strict scrutiny of financial operations, transactions and compliance. The research has a positive impact on governance since it offers suggestions on how to improve financial management systems.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ACCA</b>	Association of Chartered Certified Accountants
<b>AAA</b>	American Accounting Association
<b>AICPA</b>	American Institute of Certified Public Accountants
<b>CAG</b>	Controller and Auditor General
<b>COB</b>	Controller of Budget
<b>COSO</b>	Committee of Sponsoring Organizations
<b>CRF</b>	County Revenue Funds
<b>FEI</b>	Financial Executive International
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IT</b>	Information technology
<b>IIA</b>	Institute of Internal Auditors
<b>KIPPRA</b>	Kenya Institute for Public Policy Research and Analysis
<b>KENAO</b>	Kenya National Audit Office
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OCOB</b>	Office of the Controller of Budget
<b>PFM</b>	Public Finance Management
<b>SEC</b>	Securities Exchange Commission
<b>SPSS</b>	Statistical Package for Social Sciences

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Organizations across the globe confront operational risks that may impede their capacity to fulfil both financial and non-financial objectives. Resource management often necessitates a control system that guides decision making and activities toward a certain objective (Onsindu et al., 2022). Kenya has been working to address a number of socioeconomic imbalances and poor levels of development via a variety of reforms, the majority of which center on decentralizing finances. The measures that would be performed to get the nation to middle-income status by 2030.

The Kenyan Constitution delegated various revenue collecting and spending authorities to the County Governments in order to improve service delivery to citizens. The 2010 Constitution established the most devolved administration, with a central government and 47 county governments throughout the nation.

This move transferred part of the central government's powers to county governments by modifying the constitution to include financial devolution. This has been seen as an important strategy to tackling political governance concerns such as inequity, rent-seeking, economic stagnation, corruption, and inefficient resource allocation. Devolution attempts to unify the nation in order to improve socioeconomic results and public service standards (Wambui, 2018).

The primary goal of Public Finance Management is to guarantee that the national and local governments manage public finances in accordance with constitutional laws, promoting the effective and efficient use of limited resources. Financial managers must also be responsible to the public, and strict controls are required to achieve financial institutions' long-term aims and objectives (Kabue & Aduda, 2017).

#### **1.1.1 Internal Control Systems**

Internal controls are the mechanisms used by organizations to mitigate risk and prevent fraud. The controls include three primary elements: the control environment, the accounting system, and the control activities. Several decades before, the Committee of Sponsoring Organizations (COSO), a non-profit entity consisting of five organizations that regularly address certain accounting issues,

convened to deliberate on inadequacies in internal controls within operational and accounting systems (COSO, 2021).

The internal control components of financial management include the control environment, control activities, monitoring and risk assessment, asset acquisition, financing, and asset administration. A well-coordinated risk assessment, control environment, and control activities positively impact a firm's revenue growth (Mutua, 2023).

In a modern globalization, the spread of firms is rapidly increasing creating an extremely competitive world. Organizations that want to flourish should ensure that they control their spending in order to retain their competitiveness and achieve a sustained development in the market. In most cases, businesses are after profitability and good performances, and this is particularly important to publicly traded businesses, which need to attract shareholders in a very competitive market.

Frazer (2012) argued that internal controls that are based on rational choice theories, communication theories, and COSO integrated framework could contribute to the viability and profitability of small restaurants in the United States. Similarly, Hayali et al. (2012) had found that the internal control system used by Turkish banks is in line with international standards and that the banking system employs effective control systems. The paper recommended that the government should adopt the establishment of effective internal control systems to improve and stabilize the banking sector in Turkey.

There is at least 25 percent vulnerability of the top 100 public and private businesses to fraud in Malaysia with the employees at the forefront of all the fraud cases that are found in the country. Although not every case of fraud is recorded particularly involving smaller businesses and lesser amounts of money, they cause serious damage to the affected businesses. Poor internal controls were cited to be the primary reason of these scams. Businesses that had strong internal controls reduced the levels of fraud (Abdooulaye et al., 2018).

According to the audit conducted by the Auditor General, the Indian federal government poorly executed results-based budgeting changes. The USD 1.78 billion budget showed gaps such as lack of measurable goals, inconsistencies and inaccuracies in availed data, lack of financial controls

and unregulated utilization of process and output indicators. The issues, which hampered the quality of service delivery of the public finance administration, were determined (Akinleye & Kolawole, 2020).

According to Ewa and Udoayang (2012), an effective internal control system prevents employee fraud but a weak internal control mechanism puts the organization at risk of the consequences of employee fraud. According to Insuah and Abdulai (2015), the land commission in Ghana lacks internal control mechanisms with a high level of inability to monitor the existing controls. The Commission does not have a strong organizational structure and system of control to facilitate good functioning.

Ayom (2013) discovered that internal auditing has increased compliance to rules, regulations, performance standards, and procurement controls, but not the responsible of finances, budgetary control of the spending, and proper utilization of the donor funds. The success of government expenditure plays a major role in determining the rate of economic growth of a nation (Lewis, 2018).

According to Maphalla (2015), the government expenditure should be effective in order to foster economic development and attain the long-term goals. The efficiency of spending the county government funds is supported by the mechanisms that have been set to ensure that expenses do not exceed the income (Sihaloho, 2018). In addition, Lowndes and Gardner (2016) indicated that the effectiveness of the government is measured by examining the output/input ratio.

### **1.1.2 Revenue Management**

Kenya's new constitution of 2010 introduced a two-tiered governance structure, with the national government and fifty-seven county administrations. The county governments are responsible for conducting its operations using locally available finances in the form of fines, taxes, levies, and penalties levied on corporations and assets operating in the county, in addition to a 15% contribution from the national government. However, the National Treasury is occasionally reckless in providing the appropriate portion of cash to counties, and counties have difficulties in revenue collection from their own sources, impacting budget implementation. (ROK, 2010)

According to Wardhani et al. (2017), the national and county governments split their revenues between recurring and development expenditures, as well as transfer payments. Olanubi and Osode (2017) define recurring expenditures as wages and salaries, administrative costs, debt repayment, and welfare payments. Development investment focuses on generating economic growth via the development of projects such as road building and technological innovation in order to increase productivity and income. Odhiambo (2015) refers to transfer payments as monetary commitments to social programs such as pensions, scholarships, and disaster help.

Despite the implementation of the Public Finance Management (PFM) Act (2012), which was intended to supervise financial management by national and county governments, there has been a significant amount of misappropriation of public funds in most counties. Tana River County did not report Ksh 596 million to the Auditor General for the 2017/18 fiscal year (Mwikairi, 2018). Furthermore, several county infrastructure projects have been stalled, with some being less than ten percent finished (Madhowe, 2018).

According to the Office of the Auditor General (2025), county governments would receive Ksh. 571.29 billion in allocations for the fiscal year 2023/2024, compared to Ksh. 462.46 billion in disbursed income, resulting in a Ksh. 108.83 billion shortfall. According to the report, the total amount of payment arrears owing to outstanding bills reported by county administrations is Ksh. 226.61 billion. The county governments have continued to accrue overdue bills, which have been gradually growing over the last five years. (Auditor General, 2024)

The previous legislation totalled Ksh. 37 billion, Ksh. 55 billion, Ksh. 91 billion, Ksh. 165 billion, and Ksh. 227 billion between FY2019/2020 and 2023/2024, respectively. The City County of Nairobi had the best and highest bills, totalling Ksh. 119.37 billion as of June 30, 2024. Some of the County Governments' outstanding obligations date back to previous fiscal years and do not come with supporting schedules or paperwork. Failure to pay outstanding bills as one of the primary tasks is a violation of the Public Finance Management (County Governments) Regulations, 2015.

This outlier was also reported by the Kenya Institute of Public Policy Research and Analysis (Bilala, 2024), which stated that compliance with public procurement remains low among county administrators, making accountability and transparency difficult. Furthermore, there was a lack of

information distribution to enable the public to engage in decision-making processes, as well as a lack of openness in county government checks and balances, resulting in ineffective monitoring and accountability systems.

The issuing of tax money is an important responsibility for governments; nonetheless, it is one of the least-discussed aspects of population financial management. With little control over the money collected in their territories, the survival of county governments is likely decided by the use of effective and efficient financial management procedures to accomplish their objectives. The goal of this study is to examine how internal control measures affect revenue fund management in the Nakuru County Government, Kenya.

## **1.2 Statement of the Problem**

County financial crisis on counties where resources of the counties have been mismanaged and squandered evoked significant concerns on the suitability and efficiency of financial management by county authorities, and this has had negative impact on the public opinion. There are other counties that have reported to have received adverse qualifying reports such as material misstatements or omissions in the past financial accounts that have been reported by other counties especially the County Government of Nakuru.

The report prepared by the Auditor General of the fiscal year 2021/2022 revealed that there were some significant financial abnormalities in the Nakuru County, where Kshs 45.5 million in approved payments were overturned and redirected to unapproved payees, and this has raised concerns regarding the level of compliance with the financial procedures. Besides this, the financial statements and the IFMIS ledger indicated that it had a difference of Kshs 12.1 billion. The audit examination also found out that it had Kshs. 184.3 million due income to be transferred to the county income Fund, Kshs. 14.5 million and unsubstantiated payment papers. Due to this, those challenges require an in-depth research of financial governance so that sufficient mobilization of resources and accountability can be achieved which will eventually result in restoration of confidence by the population in government institutions. (Auditor General, 2024)

According to a report prepared by the Office of the Controller of Budget (OCOB) on FY 2022/2023, the county Treasury was diverting funds and bad budgeting processes had led to spending on issues that were beyond the allocated funds in different departments within the county.

In addition, the research argued that the Kshs 163 billion of salaries of the staff were processed manually (OCOB, 2023).

Nakuru County had an acute financial situation and the National Treasury could not dispose Ksh 30.83 billion and unpaid debts amounting to Ksh 1.10 billion on June 30, 2024. Development funds were also relatively low in their absorption, only with Ksh 4.45 billion being spent of the Ksh 9.68 billion that had been allocated to it in FY 2023/2024. The enormous expenditure on staff remained 47 percent of total revenue expenses, and Ksh 582.61 million was managed manually with the help of the payroll system. Failure to introduce appropriate controls can lead to the County experiencing theft and misappropriation of state funds. (OCOB, 2025).

The research indicated that the problems of internal controls, the delayed payment, and the pending invoices still hinder efficient acquisition of revenue at Nakuru County. These weaknesses of the system highlight the importance of effective financial reporting, monitoring and accountability systems to ensure that the resources at their disposal are not embezzled by the population and that financial discipline is upheld in the process of revenue management. In that sense, the study conducted by the researcher was called Effect of Internal Control Systems on the Management of Revenue Funds in the County of Nakuru, Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The overall objective of the research project was to assess the effect of internal control systems on the management of revenue funds in the County Government of Nakuru, Kenya.

#### **1.3.2 Specific Objectives**

The study specifically sought to achieve the following objective.

- i) To assess the effect of control activities on the management of revenue funds in the County Government of Nakuru, Kenya.
- ii) To investigate the effect of risk management on the management of revenue funds in the County Government of Nakuru, Kenya.
- iii) To evaluate the influence of the control environment on the management of revenue funds in the County Government of Nakuru, Kenya.

- iv) To establish the effect of information and communication on the management of revenue funds in the County Government of Nakuru, Kenya.
- v) To assess the effect of monitoring activities on the management of revenue funds in the County Government of Nakuru, Kenya.
- vi) To determine the combined effect of Internal Control Systems (control activities, risk management, control environment, information and communication, and monitoring activities) on the management of revenue funds in the County Government of Nakuru, Kenya.

#### **1.4 Research Hypotheses**

To achieve the objectives, the study tested the following hypothesis:

- Ho1:** Control activities have no significant effect on the management of revenue funds in the County Government of Nakuru, Kenya.
- Ho2** Risk Management has no significant effect on revenue management in the County Government of Nakuru, Kenya.
- Ho3** Control environment has no significant effect on revenue management in the County Government of Nakuru, Kenya.
- Ho4** Information and communication have no significant effect on revenue management in the County Government of Nakuru, Kenya.
- Ho5** Monitoring activities have no significant effect on revenue management in the County Government of Nakuru, Kenya.
- Ho6** Combined internal control systems (control activities, risk management, control environment, information and communication and monitoring) have no significant effect on revenue management in the County Government of Nakuru, Kenya.

#### **1.5 Significance of the Study**

The study is highly significant to a number of stakeholders. The County Government of Nakuru offers crucial data on how internal control systems enhance transparency, accountability, and financial discipline in use of county revenue funds, which is geared towards risk management, compliance, and accountability. The paper can be beneficial to the County Treasury and external and internal auditors and revenue administrators since they will understand the weaknesses of the existing controls and best practices to enhance monitoring and evaluation processes alongside

compliance procedures to ensure optimal revenue is collected as well as the possibility of fraud and mismanagement is minimized.

In academics, the study contributes to the existing body of literature regarding financial management in devolved systems of government and contributes to theory discussions in accountability and transparency. The findings provide policymakers and county executives with feasible recommendations on how they can adopt the most appropriate internal control systems that would facilitate proper management of resources and good service delivery. Lastly, there is more confidence among the residents on devolved systems and allocation of resources towards development and basic services.

### **1.6 Scope of the Study**

The study sought to evaluate the impact of internal control mechanisms on revenue management within the County Government of Nakuru. The research participants were restricted to workers of the County Government of Nakuru within the treasury finance department. The study used the COSO framework to examine the elements of internal control systems, aiming to evaluate the impact of the control environment, control activities, risk assessment, information and communication, and monitoring.

The target population included 504 treasury department workers, namely those knowledgeable with revenue management within the county. The study was conducted in 2024 over the course of around one year, resulting in robust findings. A questionnaire was used to collect primary data during a duration of one month (February 2024). The Nakuru County Government captured the researcher's interest due to its proximity and was identified as one of the counties criticized for inaccuracies or omissions in their annual financial statements.

### **1.7 Limitations of the Study**

Due to the sensitivity of the information required from those working in the treasury department, some respondents were hesitant to provide it for fear of being victimized for disclosing information, believing it would expose flaws in the revenue management mechanisms, and as a result, some delayed filling out the questionnaires for collection. Qualitative research is not totally accurate and thorough; impartiality and objectivity are impossible to obtain since some respondents may be dishonest, thereby limiting the accuracy of the study results.

In order to overcome these limitations, the researcher sought the introduction of the letter by the institution and a research permission by the National Commission of Science, Technology and Innovation so as to affirm the validity and legitimacy of the study. This made responders more relaxed and who feared being victimized. The author of the research emphasized the confidentiality of the provided data that was submitted on purely academic grounds. The researcher made repeated follow-ups to the respondents to make sure the questionnaires were filled, as the information will be used in the interest of the county government and academic research.

### **1.8 Operational Definition of Terms**

- Control Activities:** This pertains to the rules and procedures established by an organization to ensure the execution of management's orders.
- Control Environment:** This subject pertains to the philosophy and management approach, organizational framework, control mechanisms, and overall tone of a company.
- County Governments:** These are geographical entities established by the 2010 Constitution of Kenya, which supplanted the temporary systems with executive authorities delineated in Chapter Eleven of the Constitution regarding devolved government.
- County Revenue Funds:** This research pertains to the financial resources amassed by County Governments from national allocations and local revenues generated through fines, fees, levies, and penalties imposed on companies and property owners within the county.
- Information and Communication:** This research pertains to the system established by an organization to find, record, process, and report pertinent and trustworthy information promptly, enabling individuals to fulfil their obligations efficiently.
- Internal Control Systems:** This delineates the rules, policies, and processes a business establishes to produce accurate financial reports, assure operational efficiency, and maintain compliance with relevant laws and regulations.

- Monitoring:** This research pertains to the evaluation of a system's performance quality over time.
- Revenue Management:** This subject pertains to the manner in which a government allocates or distributes earnings from natural resources to various governmental tiers, institutions, or directly to individuals.
- Risk Assessment:** Denotes the methods and methodologies employed by companies to detect and analyse risks that jeopardize the attainment of established objectives.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section has analysed information on the operation of internal control systems. The preceding section analysed the relevant theories that directed the investigation. The agency theory, modern public management theory, and financial control theory. The second section focused on factors influencing internal control systems, including control activities, risk assessment, control environment, information and communication, and monitoring. The third section addressed scholarly research on this topic. Finally, it provided a judgment about the distinctiveness of the research.

#### **2.2 Theoretical Literature**

A theory is a group of ideas or precepts intended to explain a certain reality or set of facts. It is regularly evaluated or well recognized, and it facilitates the creation of forecasts for frequent events. The literature on internal control system functioning was examined in this section. The pertinent hypotheses that support the investigation were covered in the first section. Among the theories are the Theory of Financial Control, the New Public Management Theory, and Agency Theory.

##### **2.2.1 The Agency Theory**

Jensen and Meckling (1976) proposed this theory, which assumes the existence of an agency relationship between two parties in which the first party (the principal) contracts with a second person (the agent) to complete specified tasks outlined by the former, thereby delegating decision-making authority.

Kenya's county governments are allocated funds by the national government and resume responsibility for managing government finances even those funds earned from local incomes and expenditures incurred both in recurrent and development. Under this function, county governments operate as agents of public money control and management, while the Office of the Controller of Budget (OCOB) represents Kenyan people' interests. The Kenya National Audit Office (KENAO) conducts county audits to examine the effectiveness with which the OCOB and county governments achieve their budgetary objectives. (OCOB, 2016).

This theory was chosen because it focuses on both the agents (county governments) and the principal (OCOB). It tackles the issue of agency, how it is resolved, and the influence on the financial performance of county governments. One of the framework's flaws is that agents are supposed to be influenced by human motivation, which introduces ambiguity in the agents' behaviour dependent on what motivates humans. The establishment of internal control systems is seen as a method of enshrining best practices in financial management, with the government playing the primary role and county workers serving as agents to carry out the best practices. The interaction between the government and the workers of the county will assist decide the function that these two parties play in the ultimate purpose of the organization.

### **2.2.2 New Public Management Theory**

Kaboolian (1998) formulated the new public management (NPM) concept, which focuses on improving the reliability of the government. The theory suggests modifications to make the governments more accountable and accountable, e.g., implementing the projects of the private sector and developing efficient service delivery models, which are recommended by Litvack (2016). Khan and Chowdhury (2012) also argues that the idea of NPM purports that the superiority of private managerial strategies against the position of public management is based on the premise that the performance and effectiveness of public performance management functions and delivery of public services would be re-modelled by implementing methods of the private sector. Overall, the NPM concept is based on the developments in the private and commercial fields (Holden et al., 2012).

The NPM concept suggests that there is a possibility that good governance practice can affect the service delivery of the state. The NPM approaches focus on being open, responsive, values, equality, inclusive, participative, just, obligatory, and prudent in governance of the public resources and delivering services to the people. Public financial management refers to the management of the public monies in a way that will lead to the successful delivery of services. It consists of internal controls, revenue collection, budgeting and planning, financial reporting, policy, internal auditing and external auditing, among others, which aim at promoting effective delivery of services to residents, as stated by Gramage et al. (2014).

Chado (2015) asserts that the public sector can organize, direct and manage the economic activity reliably through rules and policies. This inevitably leads to the wish to have an efficient

institutional design and administration, both of which are geared towards making the government as efficient as the private sector. This will be expected to reduce corruption and enhance performance. The other assumptions are a responsive civil service, value to the government money, and solutions that are centred to the citizen.

The relevance of the NPM theory in the study is that it establishes a relationship between the optimum payable control strategies and the financial systems and the performance of the devolved governments. It would help the Nakuru County Government to deliver efficient delivery of public service through the application of the principles of openness, responsiveness, equality, inclusion, participation, justice, duty, and prudence when managing the resources of the government. One of the tools in doing this is a good internal control system in place.

### **2.2.3 Theory of Financial Control**

The financial control theory was developed by Lars Ostman (2009) in the process of studying the present and future applications of financial instruments in businesses. It is a necessary theory, which focuses on the significance of different financial instruments, payment procedure, control, accounting, calculations and economical aspects, including those external and internal to the organization. It stresses the necessity of the in-depth research of these aspects in relation to their inherent features and possible consequences. Among the key spheres that this theory is interested in is interaction between various activities and control processes with a financial control perspective being regarded as a critical constituent of effective organisational management (Ostman, 2009).

The theory measures the financial controls of the firm in various perspectives. According to Ostman (2009), five aspects of financial management are significant in a business. The former dwells on the role of people in the attainment of organizational objectives, but more specifically on the role people play in running an organization and its success. The second category concerns the organizational structure and procedure, the numerous agreements, and contracts which individuals sign amongst each other.

The third latitude area will deal with the current strategies and practices employed in bridging the present and future financial commitment in the business and the wide environment in general. The fourth part underscores the necessity of financial management instruments both in the organization and economic context. Lastly, the last latitudinal area is the one which deals with the very method

that an organization employs to manage a particular issue. Another assumption made by the theory is that financial control system and structure are interdependent (Ostman, 2009).

The financial control theory is highly crucial in the research as it helps to know the intricacies of handling mortuities in a firm. The hypothesis further explains the complications behind the exploitation of the financial resources in the county governments.

### **2.3 Internal Control Systems**

The guiding principles used in the investigation are explained in this section. Activities including control, risk assessment, environment control, information and communication, and monitoring are all included in the concept.

An internal control system is defined as an organization's policies, standards, rules, and laws that guarantee efficient operations and accurate financial reporting. This description is based on the assessment of internal control by several writers. There are five key components of the framework (Vuai, 2018). The failure or disadvantage of any one of these components might lead to serious issues since they are all in situ, functioning, and cooperating (Njahi, 2017). The inability of governments and companies to properly identify, assess, implement, and monitor internal controls may be the cause of current scandals and financial difficulties. According to COSO (2021), internal control systems include information and communication, monitoring, risk assessment, control actions, and the control environment.

The rules and procedures used by a government agency's management to ensure that the agency meets its goals while also adhering to external laws and regulations are referred to as internal control systems. According to Ndegwa and Mungai (2019), these rules and procedures often include property management, purchasing, performance monitoring, and financial recordkeeping and reporting.

Financial managers, including controllers and treasurers, are in charge of overseeing an organization's financial affairs, claims Kioko (2017). They achieve this goal by making sure they are paid as quickly as possible, following contractual or legal payment schedules, keeping enough cash on hand to carry out daily tasks, and seizing opportunities to optimize the benefits of idle funds. Monitoring the flow of upcoming payments is essential for effectively controlling the government's financial flow and avoiding debt growth, as Ndegwa and Mungai (2019) note.

Procurement systems are usually monitored to identify and stop unethical practices since procurement is often one of the main causes of corruption.

Internal control mechanisms like accounting and auditing ensure that a business meets its goals effectively and complies with rules, laws, and policies. Regulations that manage a company's assets, guarantee accurate financial reporting, encourage legal compliance, and optimize operational structure are known as internal control systems. A financial management plan for received and disbursed cash and reports to the County Executive Committee are examples of systems that connect the organizations internal and external communication operations. According to Ahmed and Nganga (2019), they also help the Auditor General with audits and maintaining inventory records for tangible and intangible assets.

Although there are many hazards that organizations must deal with, fraud, asset mismanagement, and workplace misconduct become more likely when internal control systems malfunction. Internal controls guarantee regulatory compliance, protect the company's assets, and correctly document financial activities in accounting records. The production of financial statements, which allow owners to evaluate the company's total operations, including corporate and human activities, depends on these data. Comparing accounting records with actual business operations is one of the internal controls (Oyedokun & Felejaye, 2022).

### **2.3.1 Control Activities**

Control activities, according to Ejom and Ejoh (2014), are procedures, guidelines, and policies established by management to enhance the achievement of its objectives for stakeholders. The purpose of control activities is to show that employees behave ethically and soundly at work. Whether in a manual system or an IT system, control activities serve a variety of purposes and are used at various functional and administrative levels. Control activities, according to COSO (2021), are measures put in place via policies and procedures that help management make sure that instructions to reduce risks to accomplishing objectives are followed.

Control measures are implemented across the technical environment and at different levels of the entity's commercial activities. Authorizations, approvals, verifications, reconciliations, and organizational productivity evaluations are just a few of the automated and human processes that make up control operations, which may be either preventive or investigative (COSO, 2021). A

broad variety of control access levels are often included in general controls, such as network and data security operations, system software procurement, access security, and the acquisition, development, and maintenance of data application systems (Sigilai & Njiru, 2016).

The efficacy of control initiatives is influenced by the appropriate and precise documentation of rules and procedural guidelines. Additionally, personalized assistance is refined by application controls to guarantee that transactions are approved, accurate, complete, and properly recorded and carried out. These consist of human follow-up on odd reports, numerical succession checks, and data input edit checks (Ejom & Ejoh, 2014).

### **2.3.2 Risk Assessment**

There are internal and external risk sources to an organization, which should be adequately considered and accounted, according to COSO (2021). These risks usually require rapid response in order to avoid the significant consequences. All the perceived organisational hazards, both internal and external, should be compiled as part of risk assessment. Ntongo (2012) says that external risks are created by factors that are not part of the organization, and internal risks are created by factors within the business. Risk assessment forms the foundation of making decisions on what risks should be addressed and what types of checks are necessary to deal with them (Magara, 2013).

Risk assessment involve identification, measurement, and response towards risks as demonstrated by the presence of internal procedures of carrying out credit, fraud, customer, and operational assessment. Risk affects every part of our life and whether personal or professional. A well-operating internal control system is periodically and systematically evaluated on the type and extent of the risks to the company. The four risk reactions that should be considered are transfer, tolerance, treatment, and termination. Ntongo (2012). The initial process of risk assessment is the identification and analysis of relevant risks towards goal achievement, which will be the foundation of selecting the best approach to deal with the risks. (Advisory Services and Audit, 2024).

Risk assessment processes include procedures of detecting and solving changes that can greatly affect operations. This sets up checks on approving financing options and accounting principles, practices, and methods; risk examination caused by changes in the operating environment; risk

analysis caused by potential new employees; and risks associated with restructuring and introduction of new services (Atkins, 2011). Other indications are that it may come to adopt a less risky reporting system, create channels of communication about the changes in service delivery, conduct internal audit with proper service delivery controls, and recruit the competent and experienced staff. (Ntongo, 2012).

### **2.3.3 Control Environment**

Inusah et al. (2015) assert that the control environment constitutes the foundational framework for all other controls, incorporating management's philosophy, operational style, integrity, ethical values, delegation of authority and accountability, human resource practices including training, performance appraisal, remuneration, compensation, and employee counselling, along with the audit committee and internal audits. Magara (2013) delineates the following characteristics of the control environment: The existence of robust budgetary controls, augmented by an effective audit function that includes a sufficient number of members on the company's audit committee.

The control environment, as the core of any organization, impacts employee conduct and provides the basis for the development of other internal control components. Ntongo (2012) asserts that organizational awareness fosters an environment that motivates individuals to fulfil their responsibilities in alignment with control objectives. Kamau (2014) noted that specific activities within an organization's control environment may encompass the establishment of an accounting and financial management system, management's dedication to system functionality, rigorous oversight of internal control system execution, and the provision of feedback to subordinate personnel regarding system operations. Furthermore, establish protocols to rectify any misconduct inside the accounting and financial management system.

Establishing an appropriate tone at the top was a fundamental responsibility of senior management. They were expected to demonstrate integrity in fulfilling their duties as well as uphold the ethical principles in all decision and promote a culture of transparency and accountability throughout the organization. This involved establishing an independent and proactive audit committee as well as ensuring that the board of governors and its committees operated autonomously without undue influence from the management. Management consistently adhered to established operational procedures and maintained honesty and professionalism in all their undertakings. Similarly to

effectively execute their oversight roles the board of governors and its committees preserved their independence from the management. (Kamau, 2014)

#### **2.3.4 Information and Communication**

Information communication entails the dissemination of information among a company's personnel. Effective communication enables workers to comprehend the requirements for adhering to internal controls (Musya, 2014). The personnel must comprehend the correlation between their actions and those of others, as well as the procedure for reporting any anomalies to upper management to maintain operational efficiency (Sihaloho, 2018). Internal control encompasses the identification, safeguarding, and dissemination of all relevant information within the necessary timeframe to empower the responsible person to execute their financial reporting obligations. Organizations must have internal control and information systems to provide operational, financial, and corporate reports that assist in management and supervision (Musya, 2014).

A strong internal control system depends on having timely, reliable information and effective channels of communication (Inusah & Abdulai, 2015). In any organization, the information system forms the backbone of its process. It brings together the necessary infrastructure of physical and technical resources alongside software, personnel, procedures and data. Good communication within internal control ensures that everyone understand their roles, responsibilities and goals. This not only improves decision making but alos limits the risk of depending too much on one person which in turn helps prevent and detect fraud. Ultimately internal control involves a set of connected activities within an organization that support accurate financial reporting and smooth information flow. (Mwakimasinde et al., 2014)

#### **2.3.5 Monitoring**

Internal control systems need ongoing evaluation, a process that measures their effectiveness over time. Continuous monitoring occurs throughout the operational process. The deficiencies are communicated as significant concerns to senior management and the regents (Audit & Advisory Services, 2024). To guarantee safe, effective, and efficient operations, a monitoring process must be adept at adapting to evolving hazards at an acceptable threshold via modifications and design adjustments. Continuous monitoring requires ongoing assessment of risks related to achieving operational objectives (Maina et al., 2016).

The COSO (2021) model elucidates the need to implement a monitoring framework using risk assessment protocols. Monitoring operations include the analysis of controls, the reporting of results, and the implementation of necessary corrective steps. The principal advantage of internal control monitoring is its assurance of the effectiveness and efficiency of operations, while also complying with pertinent laws and regulations.

Monitoring involves assessing the efficacy of internal controls over time to enable management to determine whether the controls provide the intended outcomes. This feature enables management to implement remedial measures in response to adverse outcomes (Sihaloho, 2018). The continuous and effective administration of the organization's objectives and vision uncovers significant prospects for revenue enhancement and potential income diversion threats, among other organizational challenges (Maina et al., 2018).

Monitoring activities are widely acknowledged as essential for assessing the adequacy of internal control systems to evaluate their quality and effectiveness over time. Monitoring ensures that audit and evaluation results are addressed promptly. Moreover, activity monitoring ensures the seamless operation of the internal control system (Charles et al., 2017).

Monitoring is a continual assessment of the efficacy of internal controls. This aspect of county governance may be expanded to include the oversight mechanisms of the Public Financial Management process. The evaluation revealed that the county's oversight mechanism is inadequate, mostly relying on quarterly reports and budget execution reports. The County Budget and Review Outlook Paper serves as an economic evaluation instrument. No particular records exist about the consistency of expected outputs and results, nor the causes for differences. Public Expenditure and Financial Accountability (PEFA, 2016).

#### **2.4 Management of County Revenue Funds**

Financial control and organizational effectiveness involve the management of the liquidity of a business, such as operation and capital resource management, budgeting, forecasting, and intelligent utilization of resources to most lucrative undertakings and projects. By adopting the right methodology of investment evaluation, efficient allocation of resources is made easier. Devolution focuses on the delivery of effective service to the citizens by availing goods and services that the private sector might not deliver at a cost that can be accessible to all residents of the county (Njahi, 2017). This is a depiction of what is known as the excellence of the public that

defines the public goods as non-rivalrous and non-excludable. Market forces do not only dictate the prices of the social goods or social necessities like healthcare, education and public transport (Njeri, 2014).

A survey conducted by the Transparency International on the effectiveness of county governments in Kenya in 2014 showed that 41 percent of the people surveyed in all the 47 counties were not satisfied with the manner the resources of the counties were managed and they were not satisfied with the performance of the counties. Most of the people judged the effectiveness of their county governments, on the basis of the skilful distribution of county resources in developmental projects, such as education, agriculture, health, trade, industry and civic awareness (SID, 2017). The research also investigated how the respondents were satisfied with the actions taken by their county governments. Besides, they incorporated concerns regarding the delivery of services by counties.

The third view incorporated the economic strategies employed by the county governments to assist individuals such as timely reporting, public relations, effective communication with key stakeholders and the risk management actions of the county agencies. The fourth view was focused on the ability of the county governments to offer job opportunities to the unemployed within their jurisdictions, encourage micro, small and medium businesses, promote agricultural products, and development of tourism. Another aspect of efficiency that was assessed in the study was the transparency and direct responsibility of leaders (SID, 2017).

## **2.5 Empirical Literature**

This section provides the studies that have been conducted by other scholars in Kenya and other countries. The studies have been carried out on the variables under study in county governments as well as other sectors.

### **2.5.1 Control Activities and Revenue Management**

Uwingabiye (2020) examined the relationship between financial success and the internal control measures used by people in Rwanda. This was conducted to examine the effects of the control environment on financial performance, control activities, risk assessment, information and communication, and monitoring, all of which are determinants of financial performance in public enterprises. Primary data was gathered from finance department personnel and internal auditors using a questionnaire survey consisting of 30 inquiries. The primary source of the secondary data

was located in the RSSB annual reports from 2015 to 2017. The data analysis was conducted using the Statistical Package for the Social Sciences (SPSS). The study employed a descriptive research methodology, with the subjects comprising 30 employees from the research firm. The research established that the financial performance of Rwandan public institutions improved with a one-unit adjustment in the control environment. The researcher found a substantial positive correlation between risk assessment and financial success in publicly listed organizations. The study indicated that an extra unit of control operations positively impacted the financial performance of Rwandan governmental entities. It was disclosed that internal controls significantly and favourably influenced financial performance. The research posited that the efficacy of ICS operations may be improved by augmenting the activities of public institutions.

Mire and Mukhongo (2016) explored how internal control systems affected the performance of remittance enterprises in Mogadishu, Somalia. The study used a quantitative approach and a descriptive research design focusing on employees from fifteen remittance firms operating within the Baraka market. Data were gathered through a targeted sampling method that relied on primary sources. The results showed that internal control systems played a key role in improving the performance of remittance enterprises. The authors also suggested that these organizations should strengthen their internal control practices to enhance efficiency and overall operational outcomes.

Magoma et al., (2017) investigated the effectiveness of internal controls in managing devolved revenue funds within the Government of Kakamega County, Kenya. The study sought to determine the extent to which the key components of internal control contributed to the effective management of devolved funds. Employing a survey design the researcher collected cross sectional data from 56 officers drawn from various county departments. Data were obtained through structured questionnaires and analyzed using correlation and regression techniques with SPSS version 21. The findings revealed a strong and positive association between all five internal control elements and the overall effectiveness of the internal control system. Among these the control environment exhibited the most significant influence emerging as the sole predictor of the effective internal control performance in Kakamega County accounting for approximately 70% of the observed variance. The authors concluded that strengthening the control environment is essential for county governments seeking to minimize the risks of fraud, corruption and misappropriation of public revenue.

Maina et al. (2016) conducted a research to investigate the influence of internal control systems on project delivery inside the Nyamira County Government in Kenya. The research methodology used in the study was an explanatory survey, which included the secondary collection of data from county government databases. The statistical studies used were inferential statistics, including both simple and multivariate regression analysis. The results suggest that internal control mechanisms are essential elements to be scrutinized in the implementation of projects within the county administration. A larger disparity in spending results in more significant repercussions on project execution. The researchers determined that sufficient internal control is necessary to safeguard resources and guarantee their use in designated projects as intended. The study revealed that internal control systems and budgeting are problematic, since not all systems and procedures comply with the stated requirements. The study posited that effective and efficient control will be promoted via the improvement of training by all relevant stakeholders, including funders and the government.

Odek and Okoth (2019) examined the impact of internal control systems on the financial performance of small and medium-sized distribution enterprises. The research used a correlational and case survey methodology, using a census survey technique including all 38 workers. The core data were gathered by surveys, whereas the secondary data included pertinent books, journals, and magazines. The study demonstrated that Moonbluz firms had superior financial performance when control activities, including performance evaluation, job segregation, physical security, and operational monitoring, were implemented.

### **2.5.2 Risk Assessment and Revenue Management**

Sihaloho (2018) examined the effectiveness of local government spending in West Java, Indonesia. The research aimed to provide technical efficiency ratings for local government spending across various regencies and cities, while also examining environmental factors that influence the outcomes. The Data Envelopment Analysis (DEA) method was used to assess technical efficiency ratings. The statistics indicated that, despite substantial expenditures in several locations, no optimal efficiency ratings were attained. The study found that total investment credit financing and total labour positively influenced the attainment of ideal technical efficiency ratings.

Yemer (2017) assessed the impact of internal control systems on hotels in the Ethiopian cities of Bahir Dar and Gondar, focusing on revenue collection. The study analysed 30 hotels across both

sites and assessed the effects of the control environment, risk assessment, control actions, monitoring, and information transmission on hotel revenue. The study established, using the regression model, that internal control systems significantly impacted revenue collection in hotels. The research found that not all internal control methods positively and significantly influenced hotel revenues.

Muchoki (2020) examined the impact of internal control systems on revenue collection at the National Transport and Safety Authority (NTSA). The paper specifically evaluated the influence of the control environment, risk assessment, control mechanisms, information dissemination, and oversight on effective revenue collection. The study's theoretical foundation was grounded on agency theory, stakeholder theory, institutional theory, and contingency theory, which together elucidate the connection between internal control systems and effective revenue collection. The researcher used a descriptive study approach, using a population of three senior managers, with data collected by digitally delivered surveys due to the impact of COVID-19. This research demonstrated that internal control mechanisms significantly and positively impacted revenue collection levels in the NTSA. Respondents expressed scepticism about the sufficiency of the existing internal control systems. The research recommended that the NTSA enhance its implementation of internal control mechanisms.

Mutunga and Ondara (2021) examined the effects of risk identification, risk reporting, risk analysis, and risk management on project performance at the Kenya Airports Authority. The research was underpinned by systems theory, goal orientation, and contingency theories. This study was descriptive about examinations. The research demonstrated that the risk identification process significantly impacted project performance at Kenya Airports Authority. The research revealed that risk reporting significantly impacted the success of projects at the Kenya Airport Authority. The research revealed that risk analysis significantly influenced the success of projects at the Kenya Airports Authority. Risk management is a critical factor in ascertaining project performance at the Kenya Airports Authority. The analysis recommended that the Kenya Airports Authority establish a robust institutional framework for detecting and mitigating project risks. It also recommended the implementation of sufficient risk reporting mechanisms to ensure that management can promptly identify and report dangers. Additionally, it is recommended that the Kenya Airports Authority foster an environment favourable to comprehensive risk assessments.

The analysis recommended that the Kenya Airports Authority adopt suitable risk management protocols.

### **2.5.3 Control Environment and Revenue Management**

Sigilai (2016) studied the role of internal control mechanism in revenue collection in Level Five Nakuru Hospital through qualitative and quantitative research method. The statistical data obtained were evaluated using regression analysis in order to determine the association between the control environment, the risk assessment, control actions, information and communication, monitoring and the revenue collection. The goal of the analysis was to find out how individual elements of internal controls affect the effectiveness and efficiency of the operations of revenue collection. The research was intended to determine whether the lack of these attributes results in cooperation, embezzlement, loss of revenues, or embezzlement. The results showed that revenue cycle is a high-risk area prone to fraud and abuse and thus there should be tight internal controls. It was shown that there is a significant correlation between the effectiveness of the internal controls and the level of generated income. However, the control environment activities did not significantly affect the revenue collection. The researchers recommended that the ministry or hospital administration should have viable and achievable revenue collection targets to increase the overall revenue collection.

Onsindu et al. (2022) evaluated how internal control systems influence the local revenue management of the Kenyan county administrations. The study employed the model of COSO (1992) integrated framework. The model-based analysis was done in the control environment and control activities. The statistical data was collected through a revised COSO questionnaire on the public companies. Data regarding the adequacy and effectiveness of their internal controls was received by all counties and Chief Officers. Data was computed and performed by using descriptive statistics, including frequencies, percentages, mean, and standard deviation and inferential statistics, such as correlation and regression analysis, in order to establish characteristics and represent a relationship that predicts successful revenue management in the context of county governments. The hypotheses were statistically tested at a 0.05 level of significance. The research has found that there was a significant positive relationship between internal control environment and local revenue management. The control measures that are internal were positively associated with local revenue management. The county governments should ensure that their organizations

maintain a well-developed internal control environment that is effective in guiding policies and procedures.

Ahmed and Nganga (2019) have studied the internal control system and financial performance of the counties located in the coastal region of Kenya. A descriptive methodology of study was employed by the investigator. The results showed that there was a significant positive relationship between risk assessment, monitoring control environment, information, communication, and financial performance. The implementation of the internal controls in the company is based on the control environment. Information and communication technology are vital to adding value to the financial outcome of the county governments. The results indicate that county management ought to employ cost-efficient approaches to expedite risk detection and carry out efficient risk management measures to ensure that their financial performance is not negatively affected.

#### **2.5.4 Information and Communication, and Revenue Management**

Abdallah (2018) used a descriptive study approach to investigate the influence of the budgeting procedure on the financial performance of the Kwale County government. The findings indicated that the budgeting process improves the county's financial performance.

Adenya and Muturi (2017) investigated the factors that affect the effectiveness of tax collection in Kiambu County. The research conducted a survey and descriptive analysis from April to July 2017, concluding that the competencies of revenue collection personnel, the use of technology, and the presence of internal controls were all positively correlated with enhanced revenue collection efficiency.

Lerno's (2016) research examined the internal and external correlations of the efficacy of Kenyan county administrations concerning internal controls. The study used a descriptive methodology and gathered primary data via questionnaires sent to 47 county administrations. The results indicated that the respondents were divided on the extent to which the implementation of internal control systems significantly improved the county's asset base over time. Furthermore, the accounting system facilitated the accurate recording of grant contract receipts and payments; nonetheless, the respondents were uncertain if the internal controls were enhancing the adequacy of levies collected to support operational costs.

Kathungu (2016) investigated the impact of budget use on the financial stability of Kenyan county governments in a separate research. The research aimed to assess the efficacy of county budget allocation and usage, as well as its impact on financial health and sustainability. The research used primary data to conclude that collaborative budgeting favourably impacted the financial conditions of the counties. Many counties witnessed disproportionate financing allocated to initiatives with low community impact, resulting in complaints and delays in project completion. The research concluded that proper budget allocation is essential for improving county efficiency and attaining remarkable performance rates.

### **2.5.5 Monitoring and Revenue Management**

The article by Busolo and Otinga (2019) explored how financial planning and internal control measures affect prudent financial management at Kakamega, Kenya. The research and design was descriptive in nature and was based on 190 financial management staff members of Kakamega County Government that comprised accountants, finance officers, revenue officers, internal auditors, and procurement officers. The Taro Yamane proportional sampling formula was used to pick a sample of 129 respondents. Primary data was collected using structured questionnaires and the research tool was piloted in the County Government of Bungoma. Data analysis was done in SPSS and the nature and strength of the relationships were determined through inferential statistics. In conclusion, financial planning is a very important aspect of sound financial management. Improved internal control systems can greatly impact on financial management of the county government since there is reduced risk of financial frauds. The report suggests that the county governments should invest in effective and safe internal control systems to make sure that the public monies are appropriately managed.

Njahi (2017) investigated the influence of the financial management practices on the financial performance of the Kenyan county governments. The authors established a close correlation between effective financial management strategies and better financial performance. The counties are expected to achieve the revenue set targets in their budgets, as under-performance results in a negative financial performance. The counties were told to focus more on financing their development rather than on recurrent costs to improve their financial performance.

The article by Lagat et al. (2016) studies internal control procedures and its effects on financial management in Baringo County Government, Kenya. The research was based on the COSO theoretical framework of evaluating internal controls and involved the use of open-ended and structured questionnaires of which the data were analysed using descriptive statistical methods in SPSS. The results indicated that out of five elements of the internal control systems, supervisory control activities were found to affect the financial management significantly. Conversely, there were no significant predictive values of changes in financial management with the control environment, information and communication.

According to the research by Origa (2015), the manufacturing organizations with robust internal control schemes performed significantly better in terms of financial performance compared to those with low controls. The Kenya Association of manufacturers is supposed to control these businesses, as suggested by the report so that they may adhere to the accounting standards of the Institute of Certified Public Accountants. It further recommended that companies should establish systems to inject stakeholder input in their internal control mechanisms whereby these mechanisms should be constantly monitored and reviewed to enhance greater compliance and performance.

## **2.6 Summary of the Literature Reviewed and Research Gap**

Uwingabiye (2020) did his research on the Rwandan public sector. The members of the study have a distinct law which governs the research population. The study by Sihaloho (2018) does not focus on general population; however, the results were obtained through inferential methods in Indonesia.

As the study specifically evaluated the effect of financial management techniques on financial success, Njahi (2017) states that the work has a conceptual gap. This research paper examines internal control methods of fund management. Abdallah (2018) points out that a gap in concepts is created since the research was focused on the effects of the budgeting process on financial performance. The dependent variable of the research is the financial performance, here it is specifically associated with the management of the revenue money.

Ondara and Mutunga (2021), targeted the Kenya Airport Authority and was conducted in another type of research environment. It concentrated on risk assessment, a specific aspect of internal control system. This research looked at five aspects of the internal control structure. In evaluating

financial performance and internal control of county governments in the coast of Kenya, Ahmed and Nganga (2019) noted that out of the objectives mentioned above, missing control activities are partial to the internal control system. Odek and Okoth (2019) and Onsindu et al. (2022) discuss two factors of internal control systems, namely Risk Assessment and Control Activities and Control Environment and Control Activities, respectively.

The reviewed literature claims that internal control systems are required to meet the organizational goals, but their presence does not assure that organizational goals will be realized. It needs to have an effective internal control system in place. Several studies indicate that a successful internal control system should comprise of the control environment, the information and communication, the risk assessment as well as the monitoring. The literature review gave a variety of results regarding the connection between the organizational financial performance and internal control systems. Each of the studies has a distinct focus, method, and area, which include the analysis of individual aspects of ICS, as well as the overall effect of these applications on revenue management via money.

Results of previous research were inconclusive and inconsistent because they conducted the study primarily by use of case studies, which could not adequately illustrate the role of the five internal control components in the management of revenue funds. This study aims at filling the empirical gap by exploring how internal control system elements impact on the revenue management in Nakuru County Government.

## **2.7 Conceptual Framework**

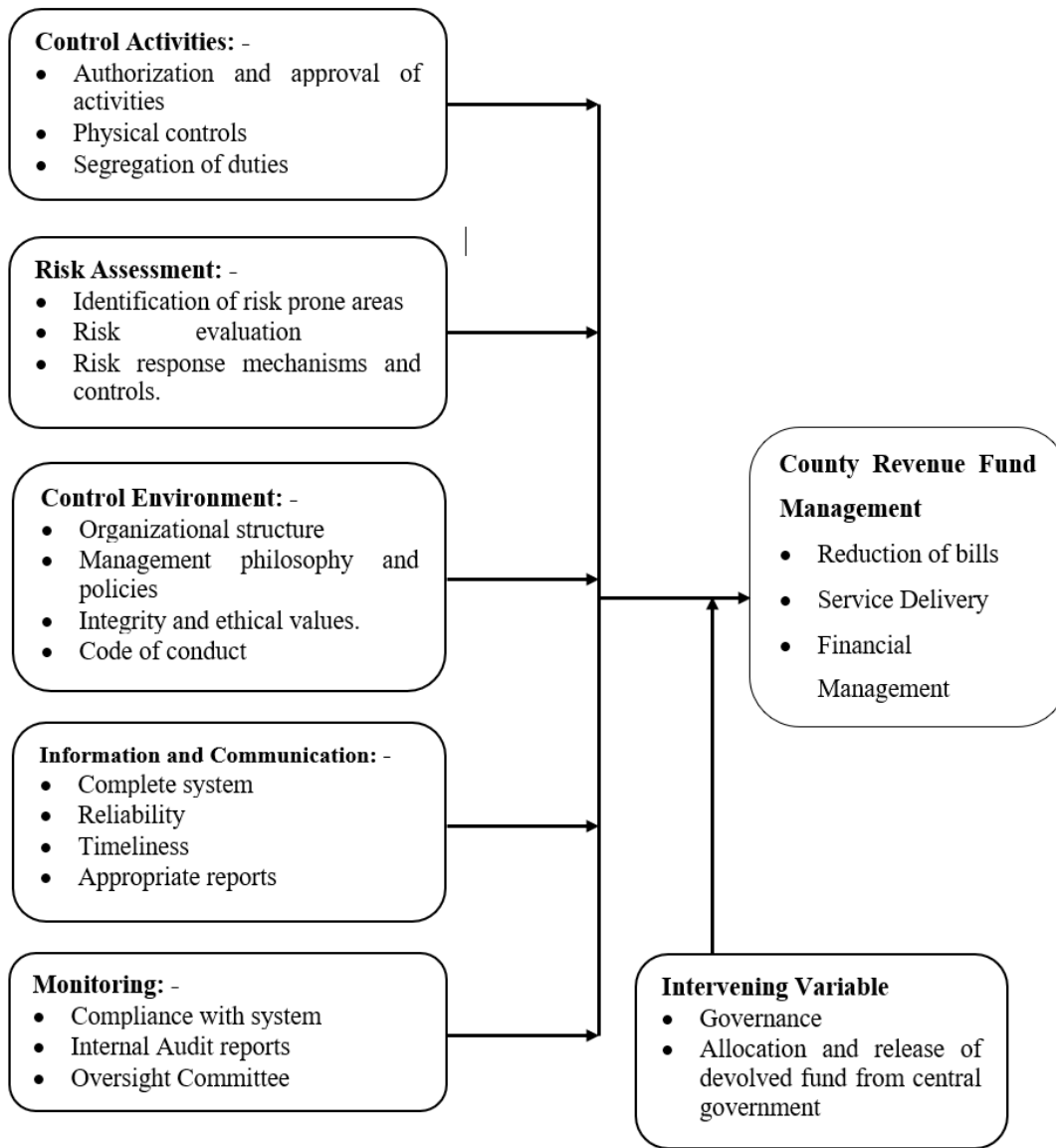
A conceptual framework outlines how the independent variable in a research is often represented in relation to the dependent variables. The purpose of this research was to investigate how internal control systems affected the way revenue funds were handled by the Nakuru County Government. As seen in Figure 1,

**Independent Variables**

**Intervening Variable**

**Dependent Variable**

**Internal Control Systems**



**Figure 1: Conceptual Framework**

The purpose of the study was to investigate how internal control systems affected the administration of revenue funds in the Nakuru county government. Control activities, risk assessment, control environment, information and communication, and monitoring were used to implement the internal control systems. Physical limits, job division, and transaction authorization and approval were some of the control measures that affected the revenue management of money.

Through risk assessment, risk identification, risk appraisal, and risk response mechanisms for risk controls, risk assessment has an impact on fund management. Through the county's organizational structure, management philosophy (operating style), and established regulations, the control environment has an impact on the revenue management funds. The county's extensive ICT installation has had an influence on revenue management funds by facilitating the prompt exchange of pertinent and trustworthy information as well as the creation of pertinent reports. Lastly, via a compliant internal control system, inspections of internal audit reports, and supervision by the county government's oversight committee, the monitoring had an effect on the revenue management of funds. These may enhance the way that people get services, but there may also be intervening problems like bad governance linked to financial theft or diverting budgetary resources from planned spending. Even with appropriate and efficient administration of revenue funds, other intervening elements that may impact the county's cash flow include allocations from the fund and the release of monies from the central government.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter introduces the methodological procedural research plan and measures taken to ensure research reliability, validity, objectivity and precisely answers the research questions. It also entails an in- depth explanation of the processes and numerous logical instruments used while collecting, processing and analysing data, therefore covering the research design, study target population and a technique to get a sample size, the collection procedure, processing and analysing of this data.

#### **3.2 Research Design**

The study used a case study approach and a descriptive research methodology. According to Mugenda & Mugenda (2013), a descriptive study is a kind of research in which an investigator investigates an issue and presents the results exactly as they are, without making any changes. Usually, descriptive studies are carried out to test research hypotheses or provide answers to research questions. To address the research themes, information was obtained from the Nakuru County Treasury. Analyzing internal control systems for Nakuru County's revenue fund management was the main goal of the study.

#### **3.3 Target Population**

Population denotes the aggregate of persons with like traits or qualities. Rea and Parker (2014) define this as any collective of persons sharing one or more traits relevant to the researcher. The target population comprises the respondents from whose data were gathered, and the research results are generalized. The study's target population included 504 workers from the Nakuru County Treasury, as shown in Table 1. The respondents included employees in financial and accounting roles within the Nakuru County Government, specifically selected for their expertise in internal control systems.

**Table 1:** Distribution of Target Population

<b>Department of Finance</b>	<b>Target Population</b>
Internal Audit and Risk Services	30
Accounting and Reporting	108
Supply Chain Management	78
Budget and Economic Planning	99
Administrative Services and Revenue Management	189
<b>Total</b>	<b>504</b>

### **3.4 Sampling Technique and Sample Size**

A sample, according to Draugalis and Plaza (2009), is a subset of a larger population that is meant to provide information about the whole group. It represents a tiny portion of the total population from which it was taken. The process of selecting a selection of study participants while making sure that they fairly represent the larger community from which they are drawn is known as sampling. Maximizing the sample is necessary (Gray, 1987). According to Kothari (2021), an effective sample must accurately represent the study population in order to enable the generalization of the findings.

Staff members from each directorate were chosen for participation in the research using a stratified random selection technique. Based on the five directorates of the County Treasury's Department of Finance and Economic Planning, the population was divided into five strata. The formula of Nassiuma (2000), which is shown below, was used to calculate the sample size.

$$\begin{aligned}n &= \frac{NC^2}{C^2 + (N-1)e^2} \\n &= \frac{504 \times .52}{.52 + (504-1) \cdot .052} \\&= 84 \text{ respondents}\end{aligned}$$

Where:

n= Sample size

N= Population

Cv= Coefficient of variation (take 0.5)

e= Tolerance at desired level of confidence, take 0.05 at 95% confidence level.

Therefore, the sample distribution across strata obtained proportionately as follows:

$$n_i = (n/N)N_i$$

Where:

n= Sample size

N= Population

$n_i$ =Sample of strata i

$N_i$ =Population of Strata i

This is allocated proportionately as shown in Table 2.

**Table 2:** Sample Distribution

<b>Department of Finance and Economic Planning</b>	<b>Target Population</b>	<b>Sample Size</b>
Internal Audit and Risk Services	30	5
Accounting and Reporting	108	18
Supply Chain Management	78	13
Budget and Economic Planning	99	16
Administrative Services and Revenue Management	189	32
<b>Total</b>	<b>504</b>	<b>84</b>

### **3.5 Data Collection Instruments**

This research used primary data. Data were obtained using a structured questionnaire including closed questions with a five-point Likert scale, ranging from strongly agree to strongly disagree, to assess the significance respondents attribute to the independent variables (Brace, 2012) and to facilitate analysis. The questionnaire has seven parts, designated alphabetically from A to G. Section A aggregated the demographic data, and Sections B through G gathered data pertinent to the research variables.

### **3.5.1 Validity of the Research Instruments**

When a research tool can measure what it is supposed to assess, it is considered legitimate (Taherdoost & Group, 2016). It has to do with how accurate the research's data gathering and analysis were in relation to the field of investigation. Face validity was used in this research based on how the questionnaire was administered. The degree to which a study endeavour is represented on its face and if it seems plausible is known as face validity.

The numbers have to be objective and relevant to the quality being assessed. The supervisor and other experts from the Department of Accounting, Finance, and Management Science were consulted in order to assess the face validity of the research instrument. Experts who were familiar with assessing this kind of authenticity made up this panel. Experts possess the necessary expertise to analyse the items and identify each one's intended measure (Phelan and Wren, 2016).

In order to bolster the validity of the questionnaire, the researcher ensured that each item aligned with the study's goals and that the wording used was clear and explicit enough to leave the respondents with little room for doubt or misunderstanding. The supervisor was consulted when creating the questionnaire, which was based on how internal control systems affect revenue fund management.

### **3.5.2. Reliability of the Research Instrument**

The degree to which the same tool consistently produces the same outcomes is known as reliability (Kothari & Gaurav, 2021). The research questionnaire was subjected to a pilot study in order to assess its dependability. To protect the integrity of the primary research, the pilot test was carried out in Nyandarua County instead of Nakuru County, which was the target population.

The reliability and validity of the study instrument were ensured by Nyandarua, which delivered a similar context but more easily available data and reduced the possibility of contaminating the real respondents. Using the SPSS software, the replies were analysed using the Cronbach Alpha ( $\alpha$ ) Coefficient. Saunders et al. (2023) state that a criterion of at least .7 is appropriate. Table 3 displays the total alpha that was determined by the study.

**Table 3: Reliability Coefficients**

Variable	Cronbach's Alpha	No of Items	Conclusion
Control Activities	0.930	7	Reliable
Risk Management	0.765	6	Reliable
Control Environment	0.914	6	Reliable
Information and Communication	0.930	5	Reliable
Monitoring Activities	0.842	7	Reliable
Management of CRF	0.916	7	Reliable
Internal Control System and Management of CRF	0.975	38	Reliable

### 3.6 Data Collection Procedures

A letter of introduction was acquired from the Egerton University Graduate School, and a research permission was secured from the National Commission for Science, Technology, and Innovation (NACOSTI). Authorization was requested and granted by the Secretary of the County Government of Nakuru, responsible for the treasury department. The researcher distributed the surveys to the respondents at their job using the drop-and-pick method and by email. The participants were given three weeks to finalize them.

### 3.7 Data Analysis and Presentation

The data on the questionnaire were revised so that they were consistent and complete. According to In (2017), to correlate the collected data with the targeted goals, it must be tagged and organized. The coded data were analysed with the help of software known as SPSS (Version 23). The results derived through the SPSS were classified using different themes or criteria. The data was analysed using both descriptive and inferential statistics.

The descriptive statistics can represent the central tendencies and dispersion with the mean, standard deviation, maximum, and minimum. A written analysis was provided in order to explain data, make conclusions, and offer recommendations. The inferential statistics were used to demonstrate the correlation between the variables. The extent at which the independent variable impacted the dependent variable was determined with the help of the Pearson correlation. The

relationship between the independent and dependent variables was determined through the basic and multivariate regression analysis.

Regression analysis was done to evaluate the hypothesis at 95% confidence level (significance level  $\alpha = .05$ ). Simple regression was used to analyse goals one through five whereas multiple regression was used to analyse the cumulative effect of goal six. As there are a lot of independent variables that can be incorporated in multiple regression, it was applied to estimate the dependent variable. The data that was being analysed was presented in tables, pie charts, and graphs. It has been an effective way to convey voluminous volumes of complicated information, retain the reader, and make an article comprehensible (In, 2017). Questionnaires were designed to examine the independent factors, including monitoring, communication and information, risk assessment, control activities, and control environments.

### 3.7.1 Model Specification

The study had six objectives. Simple linear regression was conducted on the first five objectives, while the sixth objective was analysed using multiple regression.

The first objective was to establish the effect of control activities on the management of revenue funds in the County Government of Nakuru, Kenya. The simple linear regression was as indicated below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots 3.1$$

Were

- Y = Management of revenue funds
- $\beta_0$  = Constant
- $\beta_1$  = Variable Coefficient
- $X_1$  = Control Activities
- $\epsilon$  = Error term

The second objective was to examine the effect of risk management on the management of revenue funds in County Government of Nakuru, Kenya. The simple linear regression was as indicated below:

$$Y = \beta_0 + \beta_2 X_2 + \epsilon \dots\dots\dots 3.2$$

Were

- Y = Management of revenue funds
- $\beta_0$  = Constant
- $\beta_2$  = Variable Coefficient
- $X_2$  = Risk Management
- $\epsilon$  = Error term

The third objective was to determine the effect of the control environment on the management of Revenue funds in the County Government of Nakuru, Kenya. The simple linear regression was as indicated below:

$$Y = \beta_0 + \beta_3 X_3 + \epsilon \dots\dots\dots 3.3$$

Were

- Y = Management of revenue funds
- $\beta_0$  = Constant
- $\beta_3$  = Variable Coefficient
- $X_3$  = Control Environment
- $\epsilon$  = Error term

The fourth objective was to examine the effect of information and communication on the management of revenue funds in the County Government of Nakuru, Kenya. The simple linear regression was as indicated below:

$$Y = \beta_0 + \beta_4 X_4 + \epsilon \dots\dots\dots 3.4$$

Were

- Y = Management of revenue funds
- $\beta_0$  = Constant
- $\beta_4$  = Variable Coefficient
- $X_4$  = Information and Communication
- $\epsilon$  = Error term

The fifth objective was to assess the effect of monitoring activities on the management of revenue funds in the County Government of Nakuru, Kenya. The simple linear regression was as indicated below:

$$Y = \beta_0 + \beta_5 X_5 + \epsilon \dots\dots\dots 3.5$$

Were

- Y = Management of revenue funds

- $\beta_0$  = Constant
- $\beta_5$  = Variable Coefficient
- $X_5$  = Monitoring Activities
- $\epsilon$  = Error term

The sixth objective was to determine the combined effect of internal control systems on the management of revenue funds in the County Government of Nakuru, Kenya. The objective was represented by the multiple regression indicated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon \dots\dots\dots 3.6$$

Where Y = Management of Revenue Funds

- $\beta_0$  = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Variable Coefficients
- $X_1$  = Control Activities
- $X_2$  = Risk Management
- $X_3$  = Control Environment
- $X_4$  = Information and Communication
- $X_5$  = Monitoring Activities
- $\epsilon$  = Error term

### 3.8 Diagnostic Tests

Diagnostics tests were conducted on the collected data to report results in terms of accuracy statistics for the regression (Korevarar, 2019). The diagnostic tests were carried out by using multicollinearity, linearity and normality on the regression model.

#### 3.8.1 Test of Multicollinearity

To evaluate the relationship between the independent variables control activities, risk assessment, control environment, information and communication, monitoring activities, and county revenue fund management a multi-collinearity test was conducted. A correlation matrix was used to evaluate the model for the tolerance limits (TL) and variance of inflation factor (VIF) among the independent variables. If the tolerance value in the matrix is less than 0.2 or 0.1 and the VIF value is 10 or higher at the same time, there is a strong correlation between the independent variables, which is why multi-collinearity is present. Daoud (2017)

### **3.8.2 Testing for Normality**

The study carried out normality tests to determine if the collected data was well modelled in order to make valid inferences from the regression. For inferences to be valid, the residuals of the regression should follow a normal distribution. The study employed the graphical method approach, comparing the histogram of a sample of data with a normal probability curve.

### **3.8.3 Test of Auto-Correlation**

The independence of the error terms that suggest the independence of the observations is ascertained using the Durbin-Watson test. Since the independence of the residuals is a crucial premise in regression analysis, the goal of this test is to ascertain if autocorrelation exists in the regression model's residuals. A statistic called Durbin-Watson (DW) ranges from 0 to 4. The tabular data is compared with Durbin Watson's computed statistic.

The absence of autocorrelation in the model's residual implies that values are independent when the computed statistic is greater than the upper bound of the tabulated value. A 1.5 to 2.5 is seen as acceptable. The following comprise the hypothesis test: 1.  $H_0$ : autocorrelation is not evident, and 2.  $H_1$ : autocorrelation is evident. The regression model ought to be used if the statistics stay within the permitted bounds. (Curwin & Slater, 2008).

### **3.9 Measurement of Research Variable**

The study's independent variables were information and technology, monitoring activities, risk assessment, control environment, and control activities, whereas the dependent variable was the administration of county income money.

**Table 4:** Measurements of Research Variables

<b>Variable</b>	<b>Operational Indicators</b>	<b>Measurement Tool</b>
<b>County Revenue Fund Management</b>	<ul style="list-style-type: none"> <li>• Reduction of bills</li> <li>• Service Delivery</li> <li>• Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 7 items</li> </ul>
<b>Control Activities</b>	<ul style="list-style-type: none"> <li>• Authorization and approval of activities.</li> <li>• Physical controls</li> <li>• Segregation of duties</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 7 items</li> </ul>
<b>Risk Assessment</b>	<ul style="list-style-type: none"> <li>• Identification of risk prone areas</li> <li>• Risk evaluation</li> <li>• Risk response mechanism and controls</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 6 items</li> </ul>
<b>Control Environment</b>	<ul style="list-style-type: none"> <li>• Organizational structure</li> <li>• Management philosophy and policies.</li> <li>• Integrity and ethical values.</li> <li>• Code of conduct</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 7 items</li> </ul>
<b>Information and Communication</b>	<ul style="list-style-type: none"> <li>• Complete system</li> <li>• Reliability</li> <li>• Timeliness</li> <li>• Appropriate reports</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 6 items</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>• Compliance with systems.</li> <li>• Internal Audit reports</li> <li>• Oversight Committee</li> </ul>	<ul style="list-style-type: none"> <li>• A five-point Likert Scale and a composite of 6 items</li> </ul>

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

The study results are analysed, presented, interpreted, and discussed in this chapter. The profile and demographic information are highlighted in the chapter. The research has a number of distinct goals, each with a distinct emphasis. It discusses the findings of both basic and multiple regression analysis. It also details the testing of study-related hypotheses. Additionally, the chapter details the statistical analysis, data gathering process, and results that align with the study's goals.

#### **4.2 Response Rate**

A data collection was done by distributing 84 questionnaires. A hundred percent response rate was achieved with all the 84 questionnaires sent back. Nafula et al. (2017) regard 50% as a sufficient response rate to conduct an analysis and reporting, 60% as a good response rate, and 70 percent and more as a very good one. As Musau et al. (2017) and Draugalis et al. (2009) argue, a response rate of about 60 per cent should be targeted by researchers. As such, 100 percent response rate was considered to be very good when it comes to statistical analysis.

The given success is explained by a number of essential factors, and it is primarily associated with the approach adopted throughout the process of questionnaire distribution. The application of the drop off and pick up later technique of questionnaire distribution is one of the factors that led to the high response rate. This will provide a more intimate interaction with the respondents since they will have the freedom to fill out the questionnaires at their own leisure and will not necessarily have to be time conscious. Consequently, the respondents will be more inclined to give keen and correct responses since they will not feel pressed in time.

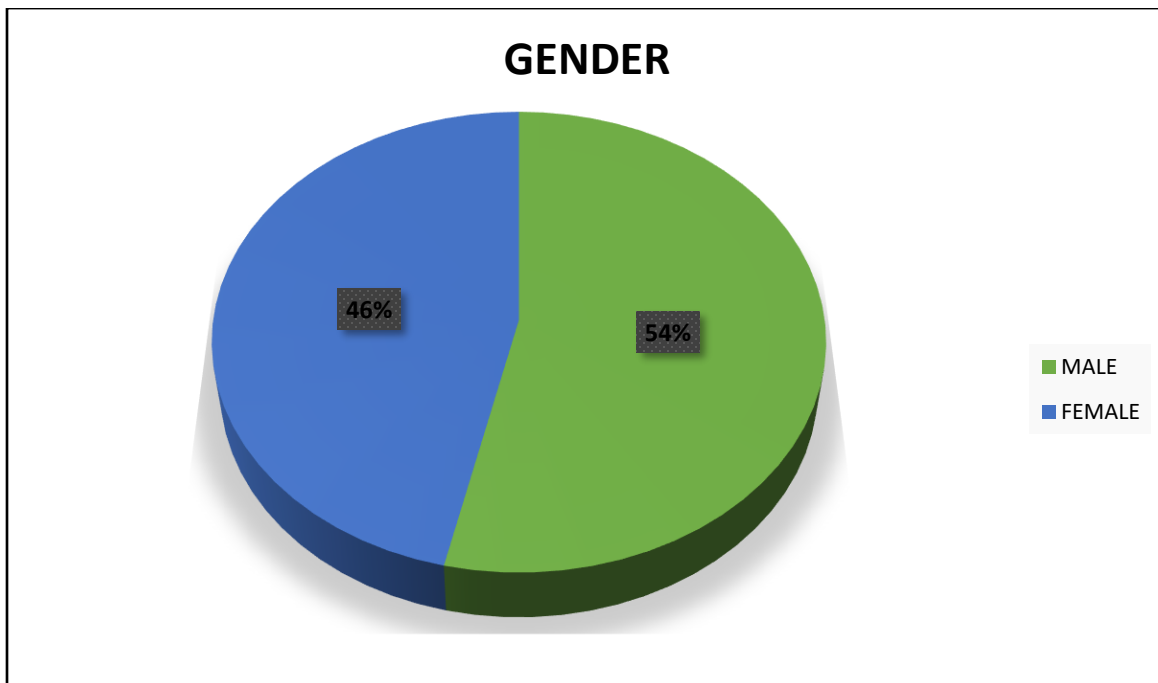
The aggressive and continued follow up activities were also very crucial in making the response rate of 100 percent outstanding. The researcher used various measures which included reminders, emails, and telephone calls, even personal visits to remind and motivate the participants to fill and submit the questionnaires. This active and interactive style was more of a subtle reminder and providing the importance of the research and the importance they attach to the input of the participants. The regular interaction and persistence of the research staff in obtaining the responses must have inspired the participants to focus on the questionnaire completion.

### 4.3 Profile of Respondents and Demographic Characteristics

This section gives a detailed analysis of the demographic and employment characteristics of the participants. The data cover several key aspects, including gender distribution, age groups, highest educational qualification, length of employment at the County Government of Nakuru, and employment terms. These variables are essential in creating a comprehensive profile of the study's respondents, supporting the contextualization and interpretation of the research findings.

#### 4.3.1 Gender of the Respondents

The study aimed to establish the gender disparity of the respondents. The analysis of the gender of the respondents was illustrated in Figure 2

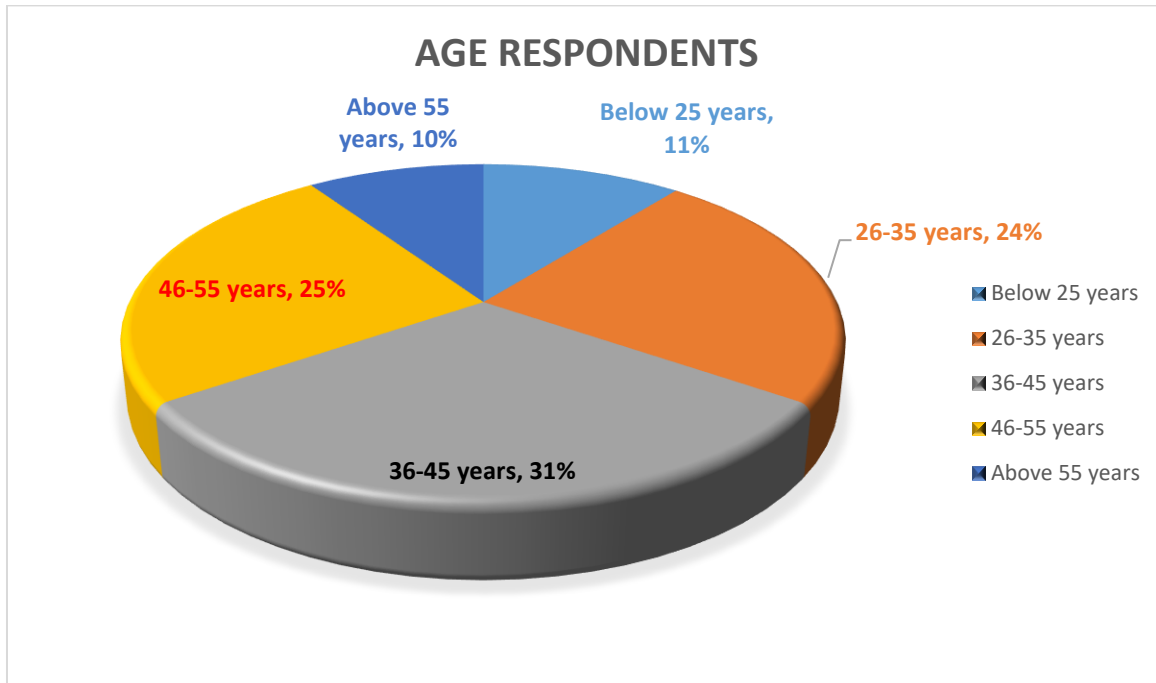


**Figure 2:** Summary of Respondents' Gender

The dataset in question reveals the gender distribution among a sample of 84 individuals. Within this sample, 45 individuals, constituting 54% of the group, were identified as male. The remaining 39 individuals, accounting for 46% of the total, were categorized as female. The study found that there was good representation of gender in the research study. This indicates that the Treasury Department are dominated by the male gender. However, there was no great gender disparity between the employees.

### 4.3.2. Age

The age distribution was examined and illustrated in Figure 3

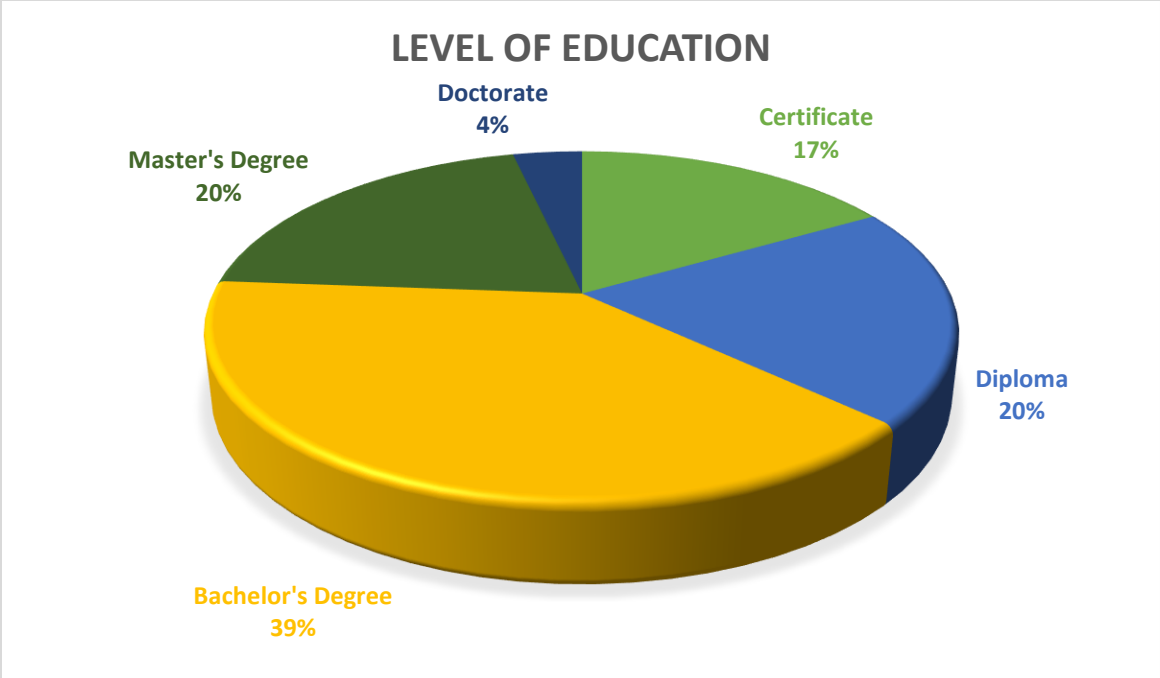


**Figure 3:** Summary of Age Category

As pertains to age responses as per Figure 3, 31% were between 36 and 45 years, 25% were between 46 and 55 years, 24% were between 26 and 35 years, 11% were below 25 years and 10% were over 55 years. The majority of respondents are aged between 36 and 45 years, indicating their capacity to evaluate and comprehend the impact of internal control systems on revenue management.

### 4.3.3 Level of Respondent's Education

The highest level of education was examined and presented in Figure 4.



**Figure 4:** Level of Education

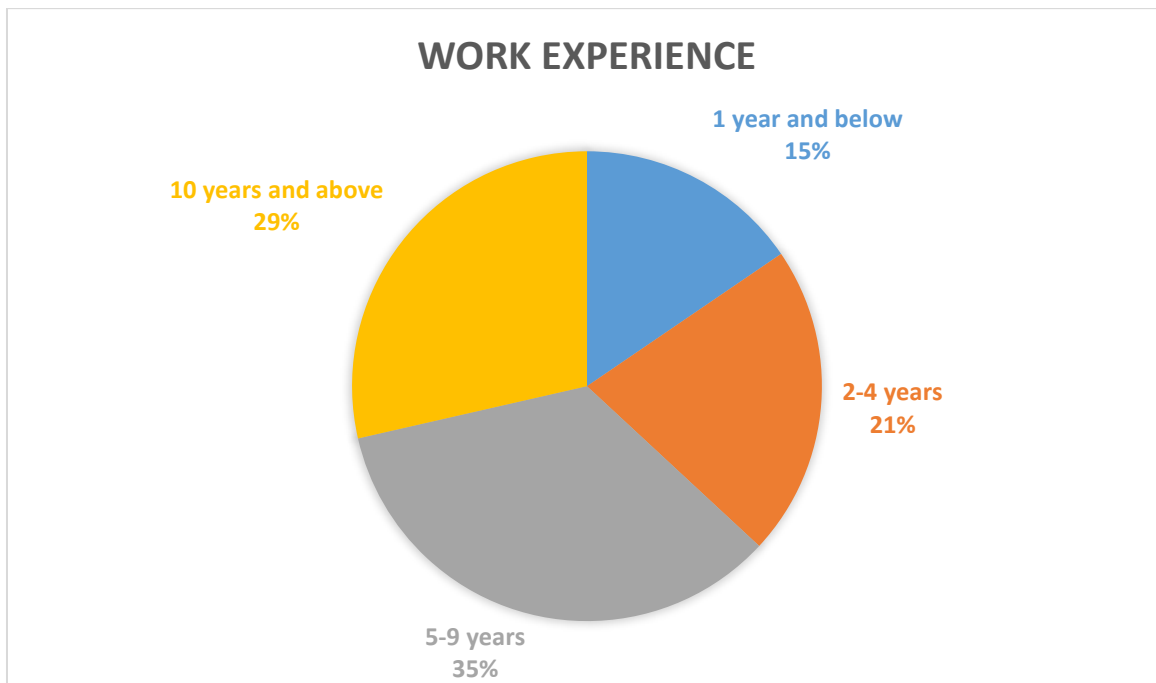
Firstly, it is observed that 14 individuals, constituting 17% of the sample, have completed their education with a "Certificate." This category typically includes individuals who have undergone specialized vocational training or short-term programs. Then, under the category of Diploma, 17 people are found, which comprise 20% of the total. The people who are included in this group are usually the ones who have undergone more advanced training that goes beyond certificates but does not necessarily involve full-blown degree programs. Among the interesting pieces of information in the data is the dominance of the holders of the Bachelor's Degree. The percentage of the sample in this category is quite large, namely, 33 persons or 39%. It depicts a large proportion of those who have attained undergraduate education, which usually takes a period of four years.

Continuing the education scale, the statistics show that 17 persons, who also represent 20 per cent, have a "Master's Degree." This group probably includes those who have gone on to studies beyond undergraduate level with in most cases, specialization in particular areas. Finally, the numbers reveal a smaller but elite group of persons. In particular, 3 or 4% of the entire sample has attained the most ultimate educational attainment, a Doctorate. It is representative of a small number of people who have gone through long research and academic work, which usually leads to the achievement of a doctorate degree.

The findings showed that the Bachelor graduates had prevailed; this means that the employees who dealt with the impact of internal controls on management of devolved revenue funds had been learned. Overall, the data point out the complexity and diversity of the educational background in the sample, with certificates and diplomas on the one hand, bachelors, masters, and even doctoral degrees on the other hand. Every level of education will be a special accomplishment and specialization, all of which will be a part of the varied mosaic of the group. To get a deeper analysis or certain queries about this educational distribution, one can seek further information. The findings also reveal that the respondents are well knowledgeable to answer the questions on internal control systems and revenue management.

#### 4.3.4 Work Experience

The number of years worked at the county government was examined and presented in Figure 5



**Figure 5:** Work Experience

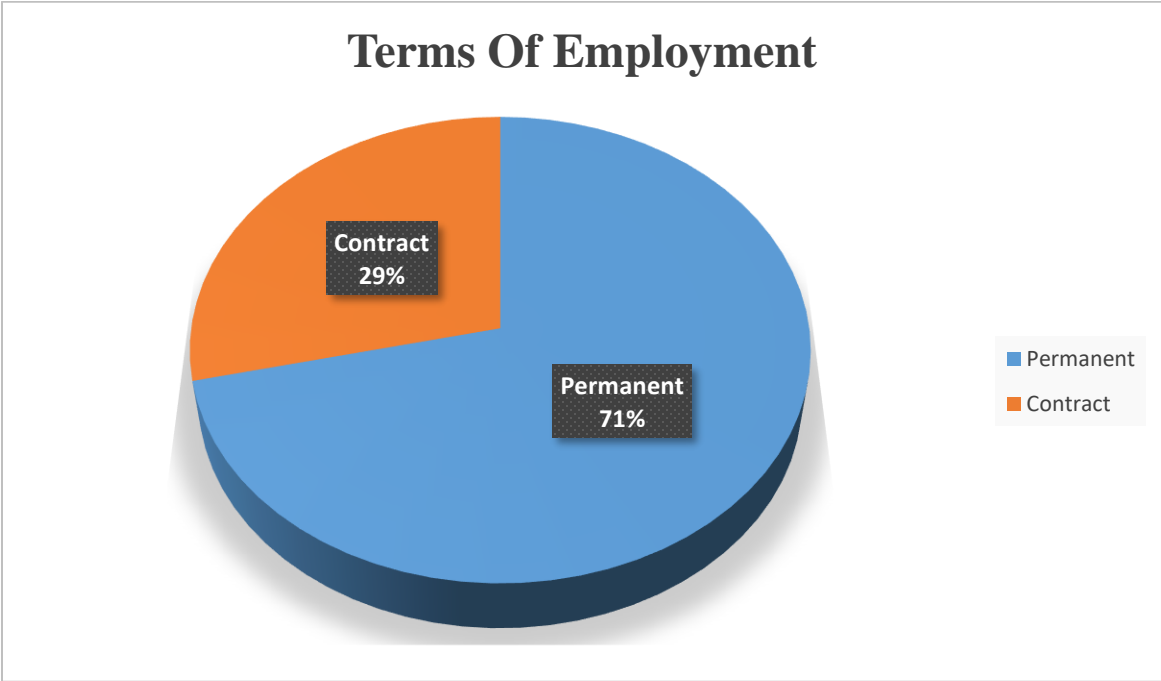
13 individuals, constituting 15% of the sample, have worked for "1 year and below" at the County Government of Nakuru. This group likely comprises relatively new employees who have recently joined the organization. In the "2-4 Years" category, there are 18 individuals, making up 21% of the total. These employees have accumulated a moderate level of experience during their tenure at the government. A substantial portion of the sample, consisting of 29 individuals or 35%, falls

within the "5-9 Years" bracket. This group represents employees with a significant amount of experience, suggesting a relatively stable workforce.

Additionally, 24 individuals, equivalent to 29% of the total, have worked for "10 Years and above" at the County Government of Nakuru. This category includes long-serving employees who have contributed significantly to the organization over the years. The study showed that the majority had served between 5 and 9 years, implying that there was a good experience among employees regarding the effect of internal controls on revenue management.

### 4.3.5 Terms of Employment

The summary of terms of employment was examined and presented in Figure 6.



**Figure 6:** Terms of Employment

A significant majority of individuals, precisely 60 employees or 71% of the sample hold "Permanent" positions. This category typically indicates long-term and stable employment within the organization. In contrast, 24 individuals, equivalent to 29% of the total, have "Contract" employment. These individuals are likely engaged for a specified period or project-based work, with a predetermined duration for their employment.

In summary, the data illustrates the distribution of employment terms among employees in the organization. A majority of the workforce holds permanent positions, signifying job security and a long-term commitment to the organization. The employees are able to settle and focus on achieving the organizations objectives meanwhile, a smaller but noteworthy portion of the workforce operates under contract arrangements, often associated with specific projects or temporary roles. The balance between permanent and contract employees play a significant role in the organizational structure and workforce flexibility. If further analysis or specific inquiries regarding this data are required, additional information can be provided.

#### 4.4 Diagnostic Statistics

The diagnostic statistics were examined using multicollinearity, normality and autocorrelation.

##### 4.4.1. Test of Multi Collinearity

The multi - collinearity examined and presented in Table 5.

**Table 5:** Collinearity Statistics

<b>Predictor</b>	<b>Tolerance</b>	<b>VIF</b>
Control Activities	<b>0.422</b>	<b>2.371</b>
Risk Assessment	<b>0.349</b>	<b>2.863</b>
Control Environment	<b>0.240</b>	<b>4.166</b>
Information	<b>0.204</b>	<b>4.903</b>
Monitoring	<b>0.270</b>	<b>3.702</b>

Note. The dependent variable was the management of county revenue. VIF = Variance Inflation Factor.

The foundation of linear regression models is the idea that independent variables do not exhibit multicollinearity. As a result, no independent variable ought to be able to be expressed as a linear function of another separate variable. To evaluate multicollinearity, Variance Inflation Factors (VIFs) and their reciprocals (tolerances) were calculated for each independent variable. Variance Inflation Factors (VIFs) should generally not be more than 10. Since all of the calculated VIFs in this case are less than 5, none of the independent variables under analysis deviate from this assumption. (Atieno & Kiganda, 2020). The multicollinearity test results are shown in Table 5.

#### 4.4.2. Test of Normality

The normality was examined and presented in Table 6

**Table 6:** Skewness and Kurtosis

<b>Variable</b>	<b>Skewness</b>	<b>Std. Error (Skew)</b>	<b>Kurtosis</b>	<b>Std. Error (Kurt)</b>
Control activities	-0.292	0.263	-0.212	0.520
Risk assessment	-0.170	0.263	-0.202	0.520
Control environment	-0.231	0.263	-0.291	0.520
Information and communication sharing	-0.297	0.263	-0.206	0.520
Monitoring	-0.278	0.263	-0.298	0.520
Management of county revenue	-0.231	0.263	-0.057	0.520

The skewness statistical measure shows whether the distribution of data is symmetrical or not. It is a pointer of whether the data is skewed to right or left. A skewness is positive and this means that the values are skewed to the right hence extreme values or outliers are at the right end of the distribution that is why the mean is at the right of the median. The negative skewness is an indication of a leftward skewness implying that there are outliers on the left of the distribution therefore necessitating the appearance of the mean to lie on the left of the median.

Skew had numerous aspects to be analysed using this data. The skew of the control activities was approximately -0.292 which means that there was a slight left skewness. The skewness of the "Risk assessment" was approximately -0.170, which means a slight left skew. The skewness of the control environment was approximately -0.231, which portrayed a slight left skewness. Information and communication sharing had a skewness at about -0.297 which showed that there was a slight left skew. The skewness of monitoring was estimated to be about -0.278 and this indicates that there is a slight left skew. The skewness of the county revenue management was approximately -0.231 which showed that the skewness was insignificant to the left. The negative values of the skewness indicate that the distributions of these variables are slightly left skewed and this implies the possibility of outliers or extreme values on the left of the corresponding distributions.

Another statistic measure that gives information regarding the shape of the distribution is kurtosis. It shows whether the data distribution has heavy or light tails and whether the distribution peak is

high or flattened in comparison to a normal distribution. When the value of kurtosis is more than 3, there is a leptokurtic distribution with heavy tails and a sharp peak. A negative kurtosis with the value less than 3 is the characteristic of a flatter distribution with heavier tails than a normal distribution, that is, it is a platykurtic distribution.

There was negative kurtosis in all the variables of this dataset. Control activities were in the form of a platykurtic distribution, with -0.212 kurtosis, which implied that tails were heavier and the central value was lighter. The data on risk assessment showed that there was a kurtosis of approximately -0.202, which is a platykurtic distribution. The kurtosis of control environment was approximately -0.291 which was a platykurtic distribution. The data distribution kurtosis when engaging in information and communication exchange was approximately -0.206, which is platykurtic in nature. Monitoring had a kurtosis of approximately -0.298 which was a platykurtic distribution. Finally, the kurtosis of "Management of county revenue" was also approximately -0.057, which also shows that it is a platykurtic distribution. The values of kurtosis are less than 3, which implies that the distributions of these variables are less kurtic with the tails being lighter and the peaks being flatter in comparison to those of normal distribution. This would imply the values of these variables can have fewer extreme values or outliers than a completely normal distribution.

#### 4.4.3. Auto-Correlation

The autocorrelation was examined and presented in Table 7.

**Table 7:** Durbin Watson

R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
<b>.838</b>	<b>.703</b>	<b>.684</b>	<b>.48339</b>	<b>1.935</b>

The Durbin-Watson statistic is a metric often used in regression analysis to evaluate the existence of systematic patterns or correlations among residuals, which represent the differences between expected and actual values. This is a crucial element, since regression models presume that the residuals are independent of one another. The Durbin-Watson statistic often ranges from 0 to 4, with values close to 2 signifying the absence of association. Values substantially below 2 indicate a positive correlation, whilst values over 2 indicate a negative correlation. The model summary displays a Durbin-Watson score of 1.935, suggesting an absence of autocorrelation issues.

## 4.5 Descriptive Statistics

The research had five distinct objectives each having its own focus. The first one was to determine the impact of control activities on management of revenue funds within the County Government of Nakuru. Secondly, the research proposed to analyse the effect of risk management practices on revenue fund management, how the risk assessment and mitigation strategies affected financial management. The third aim was to comprehend the impact of the control environment on the revenue fund management, that is, wider organization-related factors and governance.

Another issue that the research conducted was how information and communication processes affect financial management. In addition, it also analysed the importance of monitoring operations in ensuring that the money on revenue is handled accordingly. The study aimed at shedding light on the overall effect of the internal control systems such as the control activities, risk management, control environment, information and communication, and monitoring activities and how they influenced the management of revenue funds in the County Government of Nakuru, Kenya. These objectives guided the research study, provided information about the complex field of revenue fund management and the factors influencing financial governance.

### 4.5.1 Control Activities

The control activities are examined, and the results have been presented in Table 8.

**Table 8:** Descriptive Responses on Control Activities

#	Statement on Control Activities	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
1	There is segregation of duties and job rotations among staff in the county	22.6%	17.9%	20.2%	25.0%	14.3%	2.90	1.385
2	There are frequent reviews to ensure proper records are kept and sensitive documents are under lock and key.	4.8%	17.9%	21.4%	32.1%	23.8%	3.52	1.177
3	There are adequate procedures to carry out internal checks such as authorizations and verifications for every transaction.	8.3%	10.7%	21.4%	40.5%	19.0%	3.51	1.167

---

4	The county has established a revenue Board with a clear administration structure.	11.9%	11.9%	29.8%	32.1%	14.3%	3.25	1.201
5	The county has an established cashless revenue collection system to curb pilferage	7.1%	13.1%	20.2%	26.2%	33.3%	3.65	1.266
6	The county undertakes regular external audits	6.0%	11.9%	23.8%	35.7%	22.6%	3.57	1.144
7	ICT controls, such as password access and software, are installed and provided to authorized persons only	11.9%	6.0%	16.7%	25.0%	40.5%	3.76	1.359

---

The replies to a questionnaire on various aspects of internal control measures in the County Government are summarized in the following table. On a scale ranging from Strongly Disagree (SD) to Strongly Agree (SA), the participants were asked to rate their level of agreement. Each statement's mean and standard deviation are included in the table along with the frequency and quantity of replies for each group. There were differing opinions among the respondents about staff work rotations and duty segregation. Twenty-two percent were not neutral, 17.9% disagreed, 22.6% strongly disagreed, 14.3% strongly agreed, and 25% concurred. A relatively good attitude toward this element was indicated by the average of the replies, which was 2.90. However, a wide variety of viewpoints was suggested by the standard deviation of 1.385, suggesting that there was some degree of heterogeneity in the perceptions.

Regarding the amount of inspections necessary to ensure appropriate recordkeeping and document protection, the respondents' perspectives differed. 32.1 percent agreed, 21.4 percent were indifferent, 17.9 percent disagreed, 4.8 percent strongly disagreed, and 23.8 percent strongly agreed. With a mean answer of 3.52, there was a significant degree of agreement. A substantial degree of variety in opinions was suggested by the 1.177 standard deviation. Respondents gave varying grades to internal checks, including transaction authorizations and verifications. Forty-five percent agreed, 19 percent strongly agreed, 10.7 percent disagreed, 21.4% were indifferent, and just 8.3 percent strongly disagreed. The average score was 3.51, indicating high agreement between the responses and the standard deviation. According to 1.167, there was a great deal of disagreement.

Divergent views existed on the existence of a revenue board with a certain administrative framework. Thirteen percent highly agreed, thirty-two percent agreed, 29.8% were indifferent, eleven percent disagreed, and eleven percent strongly disagreed. Although the standard deviation of 1.201 indicates a wide variety of perspectives, the mean value of 3.25 indicates a respectable level of agreement. Finally, the respondents' opinions on the implementation of a cashless revenue collection system varied. 13.1% disagreed, 20.2% were indifferent, 26.2% agreed, 33.3% strongly agreed, while the minority (7.1) strongly disagreed. There was a significant degree of unanimity, as shown by the mean result of 3.65. The standard deviation of 1.266 indicated that opinions varied widely. The respondents' opinions of the County Government's conduct of routine external audits varied. However, a significant portion of respondents (35.7) agreed and 22.6% strongly agreed with this method, despite the fact that 6.0% expressed serious disagreement and 11.9% disagreed. A comparatively positive feeling is indicated by the average answer of 3.57.

However, the 1.144 standard deviation suggests that there was a broad diversity of viewpoints. It indicates that a significant portion of respondents voice their reservations about external audits, despite the fact that some people favour them. It is essential to guarantee the efficacy and clarity of external audit procedures in order to address these problems and enhance accountability. There was a great deal of disagreement on ICT controls including program limitations for authorized staff and password access. A sizable portion of 40.5 percent strongly agreed with these regulations, whereas 6.0% opposed them and 11.9% strongly disagreed. Even though the standard deviation of 1.359 is rather large and shows the range of opinions, the average score of 3.76 suggests a reasonable degree of agreement. This suggests that a more robust and well-executed ICT control mechanism is required in order to address the concerns brought up by a significant portion of respondents.

#### **4.5.2 Risk Assessment**

The risk assessment was examined and presented table 9.

**Table 9:** Descriptive Responses on Risk Assessment

<b>Statement on Risk Assessment</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
1 There is a comprehensive and systematic identification of risks in all departments and documented.	8.3%	16.7%	25.0%	38.1%	11.9%	3.29	1.136
2 Risks are evaluated appropriately at the planning stage of new products and services	4.8%	17.9%	28.6%	34.5%	14.3%	3.36	1.083
3 The county's top management has a culture of rewarding employee integrity	28.6%	17.9%	22.6%	16.7%	14.3%	2.70	1.412
4 There is an established risk management in the county	21.4%	11.9%	21.4%	33.3%	11.9%	3.02	1.344
5 The county government has established disaster recovery and business continuity plans.	11.9%	14.3%	29.8%	29.8%	14.3%	3.20	1.210
6 All departments in the county share the risk assessment for continuous control and improvement	14.3%	16.7%	32.1%	23.8%	13.1%	3.05	1.231

Another area that was investigated concerning the survey was the identification of risks in the County Government departments. There were mixed sentiments of respondents where 8.3 per cent strongly disagree and 16.7 per cent disagree. Nonetheless, 38.1% responded affirmatively and 11.9% strongly affirmative, which gave an average response of 3.29; modulus agreement. The wide range of perspectives is presented by the standard deviation of 1.136. This highlights the possibility of enhancing the overall risk identification and documentation process to bring about a change in the issues raised by a good proportion of respondents.

On the assessment of risks in the planning process of new products and services, the answers recorded a moderate rating with an average of 3.36. The difference between the responses, however, based on the standard deviation of 1.083, indicates that there is more potentials of having

more uniform and effective practices. It is essential to make sure that risks are properly evaluated in the process of planning and make informed decisions. The County Government was found to have mixed reviews with the culture of rewarding integrity of employees. Although, 28.6% strongly disagreed and 17.9% disagreed this culture 16.7% agreed and 14.3% strongly agreed. The standard deviation of 1.412 suggests that the range of viewpoints is very wide and the mean is 2.70 which shows the presence of a moderately positive culture. It implies that more consistency and clarity is required in identifying and rewarding ethical behaviour among the employees.

The fact that there was an official risk management structure within the County Government stirred views. About 21.4% showed strong disagreement, 11.9% disagreement though 33.3% showed agreement, and 11.9% strong agreement. The mean of 3.02 shows that there was a fair level of agreement although the standard deviation of 1.344 points out the varying opinions. This means that there is a possibility of enhancing the risk management system of the County, particularly in trying to meet the concerns of a high percentage of the respondents.

The respondents demonstrated various perspectives in terms of catastrophe recovery and business continuity plans. About 11.9% said that they strongly disagree with the existence of these initiatives, 14.3% said that they disagree. However, 29.8 percent said yes and 14.3 percent said yes strongly. The average of 3.20 indicates a significant degree of consensus, whereas the standard deviation of 1.210 demonstrates the plurality of views. This requires greater specificity and precision of these programs.

The spread of risk assessment in the departments to carry out their continued control and improvement had mixed responses. The percentage of strongly disagreeing was about 14.3 and 16.7 strongly disagree, 32.1 indifferent, 23.8 agree and 13.1 strongly agree. This average response of 3.05 indicates a moderate level of consensus, whereas the standard deviation of 1.231 indicates a large range of numbers of opinions. Better communication and sharing of risk assessment is very important in regard to more control and progress.

#### **4.5.3 Control Environment**

The control environment was examined and presented in Table 10.

**Table 10: Descriptive Responses on Control Environment**

<b>Statement on Control Environment</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
1 There is a well-elaborate organizational structure that defines roles and responsibilities of all employees	11.9%	11.9%	17.9%	34.5%	23.8%	3.46	1.303
2 The county has approved management policies that are shared to all employees to ensure compliance.	7.1%	16.7%	19.0%	31.0%	26.2%	3.52	1.246
3 The county has a code of ethics that is signed by all employees in regard to fraud and corruption.	3.6%	19.0%	17.9%	29.8%	29.8%	3.63	1.200
4 The management enforces values and ethical behaviours among employees in regard to fraud and misconduct	6.0%	16.7%	26.2%	35.7%	15.5%	3.38	1.118
5 Specific lines of authority and responsibility have been established to ensure compliance with policies and procedures.	6.0%	14.3%	22.6%	31.0%	26.2%	3.57	1.195
6 The management responds promptly to the internal audit reports recommendation.	10.7%	17.9%	26.2%	32.1%	13.1%	3.19	1.197
7 Management provides feedback to all staff on the effectiveness of the internal control systems.	13.1%	13.1%	39.3%	27.4%	7.1%	3.02	1.108

In terms of whether there was a well-elaborated organizational structure that determines the roles and responsibilities, there were mixed opinions. Strongly disagree was about 11.9 percent, disagreed was about 11.9 percent, remained neutral was about 17.9 percent, agreed was about 34.5 percent and strongly agreed was about 23.8 percent. The average of the answers of 3.46 points to the moderate degree of agreement, and the standard deviation of 1.303 points to the plurality of opinions. This brings out the importance of being more clear and communicative concerning roles

and responsibilities. The perceptions of the respondents on the presence of approved managerial policies that were shared with all employees in ensuring compliance also differed with 7.1% strongly disagreeing, 16.7% disagreeing, 19.0% neutral, 31.0% agree and 26.2% strongly agree. The average score of 3.52 represents a medium level of agreeableness, but the standard deviation of 1.246 shows that there are different points of view.

Management policies should be disseminated and communicated effectively to enhance compliance with a code of ethics signed by all employees on fraud and corruption. The highest disagreement was at 3.6, which was strongly disagree, 19, which was disagree, 29.8 which was agree and 29.8 which was strongly agree. The average of the responses is 3.63, which is a moderate extent of agreement, whereas the standard deviation measures 1.200, which highlights the variety of opinions. Increase in the knowledge and compliance levels of the code of ethics are essential in the County Government. Regarding the implementation of values and ethical behaviours by the management to the employees in matters of fraud and misconduct, there was a mixed feeling. Approximately 6.0% strongly disagreed, 16.7% disagreed, 26.2% neutral, 35.7% agreed and 15.5% strongly agreed. The average score of 3.38 provides a moderate degree of consensus whereas the standard deviation of 1.118 gives the impression that there are varying opinions.

The enforcement and maintaining of ethical standards should be consistent and communicated. Finally, the existence of certain lines of authority and accountability to make sure policies and procedures are adhered to were received varied reactions. Strongly agreed were 6.0 percent, agreed were 14.3 percent, remained neutral were 22.6 percent, disagreed were 31.0 percent and strongly disagreed were 26.2 percent. The average of the sum of responses is 3.57 and the standard deviation of 1.195 shows the number of varied opinions.

It is necessary to communicate effectively along the boundaries of power and responsibility. There were differing views on how management responded to the suggestions in the internal audit report. About 17.9 percent disagreed with the first reaction, and 10.7 percent strongly disagreed. However, 13.1% replied "yes" vehemently, 26.2% said "no," and 32.1% stated "yes." The replies' average (3.19) suggests a moderate level of agreement, while the standard deviation (1.197) shows that views vary. This is to underline how crucial it is to ensure that internal audit findings are

appropriately addressed and presented in a timely manner in order to enhance governance and control.

There was also a wide range of responses on the input that should be given to all employees regarding the efficacy of internal control systems. Thirteen percent disagreed, thirteen percent strongly disagreed, forty-nine percent were indifferent, twenty-seven percent agreed, and seven and a half percent highly agreed. The standard deviation of 1.108 indicates a range of opinions, while the average score of 3.02 indicates a considerable degree of agreement. Therefore, more thorough and reliable feedback mechanisms are required to ensure the efficacy of internal control systems.

**4.5.4 Information and Communication**

The information and communication were presented in Table 11.

**Table 11:** Descriptive Responses on Information and Communication

<b>Statement on Information and Communication</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
1 There are procedures to ensure directives are carried out in a timely manner at all functional levels	8.3%	15.5%	21.4%	36.9%	17.9%	3.40	1.194
2 The (ICT) department ensures technological efficiency	1.2%	21.4%	22.6%	36.9%	17.9%	3.49	1.058
3 Top management ensures that reliable and relevant information is communicated to all stakeholders in the county.	3.6%	16.7%	28.6%	35.7%	15.5%	3.43	1.056
4 Pertinent information is identified, captured and distributed in a form and timeframe	7.1%	10.7%	32.1%	35.7%	14.3%	3.39	1.087
5 Appropriate and sufficient reports on revenue funds are produced by the management	13.1%	10.7%	28.6%	35.7%	11.9%	3.23	1.196

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6 Financial reports are easily accessible to all employees	13.1%	23.8%	29.8%	19.0%	14.3%	2.98	1.242
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In terms of whether there was a well-elaborated organizational structure that determines the roles and responsibilities, there were mixed opinions. Strongly disagree was about 11.9 percent, disagreed was about 11.9 percent, remained neutral was about 17.9 percent, agreed was about 34.5 percent and strongly agreed was about 23.8 percent. The average of the answers of 3.46 points to the moderate degree of agreement, and the standard deviation of 1.303 points to the plurality of opinions. This brings out the importance of being more clear and communicative concerning roles and responsibilities. The perceptions of the respondents on the presence of approved managerial policies that were shared with all employees in ensuring compliance also differed with 7.1% strongly disagreeing, 16.7% disagreeing, 19.0% neutral, 31.0% agree and 26.2% strongly agree. The average score of 3.52 represents a medium level of agreeableness, but the standard deviation of 1.246 shows that there are different points of view.

Management policies should be disseminated and communicated effectively to enhance compliance with a code of ethics signed by all employees on fraud and corruption. The highest disagreement was at 3.6, which was strongly disagree, 19, which was disagree, 29.8 which was agree and 29.8 which was strongly agree. The average of the responses is 3.63, which is a moderate extent of agreement, whereas the standard deviation measures 1.200, which highlights the variety of opinions. Increase in the knowledge and compliance levels of the code of ethics are essential in the County Government. Regarding the implementation of values and ethical behaviours by the management to the employees in matters of fraud and misconduct, there was a mixed feeling. Approximately 6.0% strongly disagreed, 16.7% disagreed, 26.2% neutral, 35.7% agreed and 15.5% strongly agreed. The average score of 3.38 provides a moderate degree of consensus whereas the standard deviation of 1.118 gives the impression that there are varying opinions.

The enforcement and maintaining of ethical standards should be consistent and communicated. Finally, the existence of certain lines of authority and accountability to make sure policies and procedures are adhered to were received varied reactions. Strongly agreed were 6.0 percent, agreed were 14.3 percent, remained neutral were 22.6 percent, disagreed were 31.0 percent and strongly

disagreed were 26.2 percent. The average of the sum of responses is 3.57 and the standard deviation of 1.195 shows the number of varied opinions.

It is necessary to communicate effectively along the boundaries of power and responsibility. There were differing views on how management responded to the suggestions in the internal audit report. About 17.9 percent disagreed with the first reaction, and 10.7 percent strongly disagreed. However, 13.1% replied "yes" vehemently, 26.2% said "no," and 32.1% stated "yes." The replies' average (3.19) suggests a moderate level of agreement, while the standard deviation (1.197) shows that views vary. This is to underline how crucial it is to ensure that internal audit findings are appropriately addressed and presented in a timely manner in order to enhance governance and control.

There was also a wide range of responses on the input that should be given to all employees regarding the efficacy of internal control systems. Thirteen percent disagreed, thirteen percent strongly disagreed, forty-nine percent were indifferent, twenty-seven percent agreed, and seven and a half percent highly agreed. The standard deviation of 1.108 indicates a range of opinions, while the average score of 3.02 indicates a considerable degree of agreement. Therefore, more thorough and reliable feedback mechanisms are required to ensure the efficacy of internal control systems.

**4.5.5 Monitoring Activities**

**Table 12:** Descriptive Responses on Monitoring Activities

<b>Statement on Monitoring Activities</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
1 The management conducts continuous monitoring to determine internal controls	13.1%	15.5%	28.6%	33.3%	9.5%	3.11	1.182
2 The internal audit conducts a continuous monitoring on the internal control system	6.0%	14.3%	22.6%	39.3%	17.9%	3.49	1.125
3 There is timely review of audit reports that assist in improving financial management	3.6%	23.8%	27.4%	34.5%	10.7%	3.25	1.051

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4	The management takes appropriate follow up and takes action for non-compliance that are reported to it	13.1%	17.9%	22.6%	32.1%	14.3%	3.17	1.260
5	Internal auditors continually inspect adequacy of the county's internal control systems.	7.1%	14.3%	29.8%	32.1%	16.7%	3.37	1.138
6	The management has mechanisms to verify all financial approvals and monitors use of funds	11.9%	9.5%	22.6%	33.3%	22.6%	3.45	1.274

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The continuous review of internal controls in management showed mixed responses. One in 8 was strongly against, 1 in 8 disagreed, 1 in 4 indifferent, 1 in 4 agreed and 1 in 8 strongly agreed. The average response of 3.11 shows that there is a fair level of cohesion, and the standard deviation of 1.182 represents a variety of opinions. This highlights the necessity of having strict and frequent monitoring protocols to ensure good internal control. There was a wide divergence in opinions regarding the constant observation of internal control system through internal audit. About 6.0% indicated severe disagreement, 14.3 indicated disagreement, 22.6 indicated neutrality, 39.3 indicated concurrence and 17.9 indicated strong agreement. The average response of 3.49 shows that there is a reasonable level of consensus whereas the standard deviation of 1.125 implies diverse views. This highlights the necessity of enhancing the role of the internal audit in monitoring the internal controls.

The research assessed the timeliness of audit report surveys that assist in improving management of finances. The responses were found to be varied with 3.6 percent being very disapproving, 23.8 percent disagreeing, 27.4 percent neutral, 34.5 percent agreeing and 10.7 percent strongly agreeing. The central tendency of 3.25 indicates the presence of a modest level of agreement, and the standard deviation of 1.051 indicates the presence of a variety of opinions. Timely review of audit reports will be necessary in order to manage finances effectively. There was a difference in opinion regarding the reaction of the management to the recorded non-compliance. The Figure of around 13.1 percent strongly disagreed, 17.9 percent disagreed, 22.6 percent indifferent, 32.1 percent agreed, and 14.3 percent strongly agreed. The average value of 3.17 is a sign of a fair amount of consensus whereas the standard deviation of 1.260 is a sign of the different points of

view. This indicates the importance of regular and appropriate follow-ups in case of non-compliance.

Finally, the continuous review of the internal auditors regarding the adequacy of the internal control systems of the county generated varied reviews. About 7.1% responded strongly to disagree, 14.3% disagreed, 29.8% was indifferent, 32.1% agreed and 16.7% strongly agreed. Mean 3.37 indicates a moderate level of agreement, and the standard deviation of 1.138 indicates the spread of opinions. This requires enhancement of internal audit methods that are used to ensure adequacy of internal control systems. There was mixed feelings on the processes used by the management to verify the financial clearances and monitor use of funds. About 11.9% were strongly against, 9.5% against, 22.6% neutral, 33.3% agreement and 22.6% strongly agreed. The average response of 3.45 means the moderate level of agreement, and the standard deviation of 1.274 represents the variety of opinion. This highlights the significance of improving mechanisms of financial checking and control.

#### 4.5.6 Management of County Revenue Funds

The management of country funds were examined and presented in Table 13

**Table 13:** Descriptive Responses on Management of County Revenue Funds

Statement on Management of County Revenue Funds	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
1 There is improved service delivery	7.1%	14.3%	13.1%	44.0%	21.4%	3.58	1.184
2 There is effective financial management	8.3%	14.3%	25.0%	40.5%	11.9%	3.33	1.123
3 There is reduction in pending bills	14.3%	15.5%	34.5%	28.6%	7.1%	2.99	1.146
4 Release of devolved revenue fund from national government are always delayed	11.9%	17.9%	17.9%	32.1%	20.2%	3.31	1.308
5 The budget allocation always is used for intendent expenditure	10.7%	17.9%	31.0%	25.0%	15.5%	3.17	1.211
6 Devolved funds are always audited internally	7.1%	17.9%	26.2%	32.1%	16.7%	3.33	1.165

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7 All departments are involved in the 9.5% 21.4% 29.8% 20.2% 19.0% 3.18 1.243  
discussion of the recommendations in the  
internal audit

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The survey also determined whether quality services given by the County Government had improved. The responses had a varied response with 7.1% strongly disapproving, 14.3% disagreeing, 13.1% staying and 44.0% agreeing, 21.4% strongly agreeing. The average mark of 3.58 shows that the level of agreement is very high, and the standard deviation of 1.184 shows that the opinions are too varied. This means that continuous work is required in the effort of improving service provision. The opinion on the significance of good financial management was different, 8.3% strongly disagreed, 14.3% disagreed, and 25.0% was neutral, and about 40.5% agreed. The average score of 3.33 shows high degree of consensus whereas the standard deviation of 1.123 highlights the diversity of opinions. This underlines the significance of the need to keep on enhancing financial management practices.

The inquiry also evaluated whether the number of outstanding bills of the County Government backlog has reduced. Approx. 34.5 percent said neutral, 14.3 percent strongly disagreed, 15.5 percent disagreed, 28.6 percent agreed and 7.1 percent greatly agreed. The average mean of 2.99 indicates a high level of agreement though the standard deviation of 1.146 may signify an assortment of views. This means that there should be better measures put in place in order to cut on outstanding debt. On the issue of delay in disbursement of devolved tax money by the national government, there was mixed feelings. The percentage of those who disagreed is 16.9, neutral positions were 17.9, strongly disagreed (11.9), agreed (32.1) and strongly agreed (20.2). The average response of 3.31 implies a good degree of consensus even though the standard deviation of 1.308 implies that the number of opinions is broad. This proves that it is difficult to manage fund flow delays.

The research also evaluated whether the budgetary allocation is consumed on a frequent basis on the expected cost. The answers were mixed and only 10.7% were very critical, 17.9% disagreed, 31.0% were neutral, 25.0% agreed, and 15.5% strongly agreed. The average of 3.17 shows that there is high degree of agreement, whereas the SD of 1.211 shows divergent opinions. This emphasizes the need to see to it that the projected expenditure and financial allocations are in line.

There were mixed views regarding the internal audit of the devolved funds. Some 26.2 were neutral, 17.9 disagreed, 32.1 agreed, 16.7 strongly agreed and 7.1 strongly disagreed. The standard deviation of 1.165 shows that there is a distribution of views on the subject, yet the average answer of 3.33 shows that there is the high degree of agreement. This shows the importance of the presence of sound internal auditing measures.

Finally, the survey measured the extent to which all departments are consulted on internal audit recommendations, 29.8% it was neutral, 19.0% strongly agreed, 20.2% agreed, 9.5% strongly disagreed, and 21.4% disagreed. The average of the responses was found to be 3.18 which is an indication of a high degree of consensus although the standard deviation of the responses was 1.243 indicating divergences in the views of responses. This highlights the significance of consultation on internal audit recommendations with every department.

#### **4.6 Inferential Statistics**

Both regression and correlation analyses were done on the research variables in order to produce inferential statistics. The study used Pearson correlation analysis to evaluate the degree of association between the dependent variable (management of county income funds) and the independent variables (control activities, risk management, control environment, information and communication, and monitoring activities). The outcomes are as follows:

##### **4.6.1 Correlation Analysis**

Correlation is a statistical method for assessing the degree of relationship between two quantitative variables. It measures the degree of correlation between the variables. A correlation analysis was performed to determine the degree of relationship between revenue fund management, the dependent variable, and internal control systems, the independent variables in this study. The Pearson correlation was employed, with a range of -1.00 to +1.00. While negative values indicate negative correlations, positive numbers indicate positive associations between the variables under study. The results are shown in Table 14.

**Table 14: Pearson Correlation**

Variable	1	2	3	4	5	6
Control Activities	-					
Risk Assessment	0.508	-				
Control Environment	0.685	0.756	-			
Information and Communication	0.724	0.741	0.835	-		
Monitoring	0.681	0.733	0.775	0.818	-	
Management of County Revenue	0.656	0.669	0.694	0.736	0.822	-

Note. N = 84. P < .01 (2-tailed). All correlations are significant at the 0.01 level.

The correlation matrix demonstrates the statistical relationship of a variety of factors, including monitoring, information and communication, risk assessment, control activities, control environment, and county revenue management. The Pearson correlation coefficients were used to measure these correlations.

Monitoring ( $r = 0.681$ ,  $p < 0.01$ ), information and communication ( $r = 0.724$ ,  $p < 0.01$ ), risk assessment ( $r = 0.508$ ,  $p < 0.01$ ), control environment ( $r = 0.685$ ,  $p < 0.01$ ) and the county revenue management were significantly positively correlated with control activities ( $r = 0.656$ ,  $p < 0.01$ ). This implies that these other factors increase in proportion to increase in control actions.

There were positive significant relationships between the control environment ( $r = 0.756$ ,  $p < 0.01$ ), information and communication ( $r = 0.741$ ,  $p < 0.01$ ), monitoring ( $r = 0.733$ ,  $p < 0.01$ ), and county revenue management ( $r = 0.669$ ,  $p < 0.01$ ). It means that the improvement in these other areas is associated with the improvement of risk assessment.

The control environment and monitoring ( $r = 0.775$ ,  $p < 0.01$ ), information and communication ( $r = 0.835$ ,  $p < 0.01$ ), and county revenue management ( $r = 0.694$ ,  $p < 0.01$ ) were the ones that showed a substantial positive correlation.

Also, there were positive significant correlations between communication and information and the county income management ( $r = 0.736$ ,  $p < 0.01$ ) and monitoring ( $r = 0.818$ ,  $p < 0.01$ ). This has the implication that effective information and communication is associated with better monitoring and effective management of county finances.

Finally, a significant positive relationship between the effective management of the county revenue and the effectiveness of monitoring was also found, and the two variables are strongly correlated ( $r = 0.822$ ,  $p < 0.01$ ). Overall, these positive correlations are statistically significant; this fact suggests that these factors are interrelated. Organizations and decision-makers can use this information to enhance control systems and management processes that involve county income and make informed decisions.

#### 4.6.2 Testing of Hypothesis

A regression analysis was performed to determine the link between the independent and dependent variables. For goals one through five, simple regression was used; for objective six, which includes the cumulative impact, multiple regression was used. The idea was tested using regression analysis. The research tested the study model's fitness using the F-statistic and the corresponding P-values. P-values at a 0.05 significance level were used to determine whether to reject or accept the null hypothesis, and the results were consistent with the goals.

##### 4.6.2.1 Effect of Control Activities in Management of County Revenue

The initial goal was to determine how control efforts affected the way revenue monies were managed in Kenya's Nakuru County Government. According to the null hypothesis, the administration of revenue funds in the Kenyan County Government of Nakuru is not significantly impacted by control efforts. The hypothesis was tested using a simple regression. Tables 15, 16, and 17 present the findings:

**Table 15:** Model Summary for Control Activities

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.656	.430	.423	.65304

**Table 16:** ANOVA Summary for Control Activities

<b>Model</b>	<b>Sum of Square</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	26.377	1	26.377	61.851	.000 <sup>b</sup>
Residual	34.970	82	.426		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 17:** Regression Co-efficient for Control Activities

Predictor	B	SE	Beta( $\beta$ )	t	p
Constant	1.134	.281		4.038	.000
Control Activities	.619	.079	.656	7.865	.000

The model summary analysis revealed in Table 15 shows that the correlation between the predictor and the dependent variable is moderately positive with the R value of .656. Based on the value of R square of .430, the control activities explain 43 percent of the variance in the county revenue management. Adjusted R Square is .423 with the number of predictors considered. The accuracy of the model in forecasting the results has been indicated by the standard error of the estimate which is 0.65304.

In the case of control activities, the results of the ANOVA (Table 16) have statistical significance ( $F(1, 82) = 61.851, p < .001$ ). This means that the management of the county income as a dependent variable might be predicted significantly towards the whole regression model. It can be concluded that the influence of control operations on county money management is high.

The coefficients in Table 17 indicate that the unstandardized coefficient of the constant is =1.134 (SE = 0.281). The overall predictor of the control activities is of standardized coefficient (Beta) = 0.656 and the unstandardized coefficient (SE = 0.079) = 0.619. In the case of control activities,  $t = 7.865, p < .001$ . So, the simple regression model of this purpose is the following:

$$Y = 1.134 + .619X_1$$

According to the model, the control activities coefficient is .619, and the management of county income funds will be equivalent to 1.134 if control activities are kept at a constant zero. This suggests that control activities have a major role in forecasting how county money will be managed. The magnitude of the effect is shown by the unstandardized regression coefficients, which show that a unit increase in control activities is linked to a 0.619 rise in county revenue management. The null hypothesis ( $H_0$ ) was rejected since the p-value was smaller than the significant value of .05. This suggests that the administration of revenue funds in the Kenyan County Government of Nakuru is significantly impacted by control operations. The research's findings concur with those of a study by Uwangabiye (2020), which found that internal control

initiatives enhance public organizations' performance. The research suggested that internal control systems' processes be strengthened. Furthermore, internal control actions are a powerful indicator of an efficient internal control system, according to Magoma et al. (2017).

#### 4.6.2.2 Effect of Risk Assessment on the Management of County Revenue Funds

Examining how risk management affects revenue fund management in Kenya's Nakuru County Government was the second goal. The objective's null hypothesis was that, in the Kenyan County Government of Nakuru, risk management had no discernible impact on revenue management. The hypothesis was tested using a simple linear regression, and Tables 18, 19, and 20 show the findings:

**Table 18: Model Summary for Risk Assessment**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.669 <sup>a</sup>	.448	.441	.64284

**Table 19: ANOVA Summary for Risk Assessment**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	27.461	1	27.461	66.453	.000
Residual	33.886	82	.413		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 20: Regression Coefficient for Risk Assessment**

<b>Predictor</b>	<b>B</b>	<b>SE</b>	<b>Beta(<math>\beta</math>)</b>	<b>t</b>	<b>p</b>
Constant	1.329	.248		5.353	.000
Risk Assessment	.626	.077	.669	8.152	.000

The regression model (Model 1) has a moderately positive association, as shown by its R-value of .669 in Table 18 of the Model Summary for Risk Assessment. With an R Square value of .448, the model is able to explain 44.8% of the variation in the dependent variable, which is the management of county income. Other variables not included in the research account for 55.2%. With the number of predictors taken into account, the Adjusted R Square is .441. The estimate's standard error, which is 0.64284, gives light on how well the model predicts outcomes.

According to the Risk Assessment ANOVA findings (Table 19),  $F(1, 82) = 66.453$ ,  $p < .001$ , indicates statistical significance. The relevance of risk assessment in affecting county revenue management is further supported by the fact that the regression model as a whole is significant in predicting the dependent variable.

The constant's unstandardized coefficient, as determined by looking at the coefficients in Table 20, is 1.329 (SE = 0.248). The standardized coefficient (Beta) of the Risk Assessment predictor is 0.669, whereas its unstandardized value is 0.626 (SE = 0.077). For Risk Assessment, the t-statistic is 8.152,  $p < .001$ . These findings imply that risk assessment has a major role in forecasting how county income will be managed. There is a 0.626 rise in county revenue management for every unit increase in risk assessment.

The simple regression model for this objective is therefore as indicated below:

$$Y = 1.329 + .626X_2$$

The results show that if the risk assessment is kept at a constant value of zero, the management of County revenue funds will equal 1.329. This indicates that, if all other factors remain constant, a unit increase in risk assessment will translate into a .626 increase in the management of County Revenue funds. Regression coefficients show that risk assessment has a statistically significant influence on the Kenyan County Government of Nakuru's revenue money management. ( $p = .000 < .05$ ). Since the p-value is less than .05, the null hypothesis ( $H_0$ ) is rejected. This implies that risk assessment has a major influence on the revenue management of the County Government of Nakuru, Kenya. The study's findings corroborate those of Muchoki's (2020) investigation, which discovered that risk assessment enhances income collection.

#### **4.6.2.3 Effect of Control Environment in Management of County Revenue funds**

The third objective was to determine the effect of control environment on the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis stated that the control environment has no significant effect on revenue management in the County Government of Nakuru, Kenya. A simple regression was used to test the hypothesis as indicated in Tables 21, 22 and 23.

**Table 21: Model Summary for Control Environment**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.694 <sup>a</sup>	.482	.476	.62263

**Table 22: ANOVA Summary for Control Environment**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	29.559	1	29.559	76.249	.000 <sup>b</sup>
Residual	31.788	82	.388		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 23: Regression Co efficient for Control Environment**

<b>Predictor</b>	<b>B</b>	<b>SE</b>	<b>Beta(β)</b>	<b>t</b>	<b>p</b>
Constant	1.080	.260		4.157	.000
Control Environment	.645	.074	.694	8.732	.000

The Model Summary for Control Environment is shown in Table 21. It shows that the regression model (Model 1) has a significant positive correlation with an R value of .694. The model explains 48.2% of the variation in the dependent variable (county revenue management), according to the R Square value of .482. Factors not included in the research are responsible for 42.8% of the total. With the number of predictors taken into account, the corrected R Square is .476. The model's predictions were accurate, as shown by the estimate's standard error of 0.62263.

$F(1, 82) = 76.249, p < .001$ , the ANOVA findings for the Control Environment (Table 22), show statistical significance. This suggests that the regression model as a whole is important in predicting the dependent variable, emphasizing the critical role that the Control Environment plays in determining how county income is managed.

The constant's unstandardized coefficient, as determined by looking at the coefficients in Table 23, is 1.080 (SE = 0.260). The standardized coefficient (Beta) of the Control Environment predictor is 0.694, whereas its unstandardized value is 0.645 (SE = 0.074). For the Control Environment, the t-statistic is 8.732,  $p < .001$ . These findings imply that the Control Environment has a major

role in forecasting how county money will be managed. The management of county income increases by 0.645 for every unit increase in the Control Environment.

The simple regression model for this objective is therefore as indicated below:

$$Y = 1.080 + .645X_3$$

The results indicate that if the control environment is maintained at zero, the management of County income funds will equal 1.080. This indicates that, if all other factors remain constant, a unit increase in the control environment will lead to a .645 rise in the management of County Revenue funds. The model results show that the control environment has a statistically significant effect on the administration of the revenue funds in the Kenyan County Government of Nakuru. ( $p = .000 < .05$ ). Since the p-value is less than .05, the null hypothesis ( $H_03$ ) is rejected. This implies that the control environment has a major influence on revenue management in the Kenyan County Government of Nakuru. These results corroborate those of Njiru and Sigilai (2016), who discovered a strong relationship between the control environment and revenue collection. Setting realistic and achievable revenue collection targets may be made easier with the use of internal control systems.

#### 4.6.2.4 Information and Communication

The fourth objective was to examine the effect of information and communication on the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis stated that information and communication have no significant effect on revenue management in the County Government of Nakuru, Kenya. A simple regression was used to test the hypothesis and the results are as indicated in Tables 24, 25 and 26.

**Table 24:** Model Summary for Information and Communication

R	R Square	Adjusted R Square	Std. Error of the Estimate
.736 <sup>a</sup>	.542	.536	.58543

**Table 25:** ANOVA Summary for Information and Communication

<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	33.244	1	33.244	96.997	.000 <sup>b</sup>
Residual	28.104	82	.343		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 26:** Regression Coefficient for Information and Communication

<b>Predictor</b>	<b>B</b>	<b>SE</b>	<b>Beta(β)</b>	<b>t</b>	<b>p</b>
Constant	.988	.240		4.107	.000
Information and Communication	.688	.070	.736	9.849	.000

Table 24 displays the Model Summary of Information and Communication. It demonstrates that Model 1 regression model is significantly positively correlated with a R value of .736. The dependent variable (county revenue management) is explained by the model by 54.2% of the variation in the dependent variable as indicated by the R square value of .542. The variations are attributed to other variables which are not a part of the research and explain 45.85 percent of the variations. The Adjusted R Square is .536 with consideration of the number of predictors. The standard error of the estimate (0.58543) provides some information about the predictive power of the model.

The results of ANOVA in the Information and Communication (Table 25) are statistically significant  $F(1, 82) = 96.997, p < .001$ . This implies that the overall regression model is applicable in the prediction of the dependent variable, which explains the influence that communication and information have in determining the manner in which county income is handled.

The coefficient of the constant, as obtained by examination of the coefficients of Table 26, is 0.988 (SE = 0.240). The coefficient (Beta) of Information and Communication predictor is standardized to 0.736, but the unstandardized coefficient is 0.688 (SE = 0.070). The t-statistic of Information and Communication is 9.849,  $p = .001$ . These results suggest that communication and information play an important role in predicting the county revenue management. This is because the management of the county revenue grows at 0.688 per unit increment in the information and communication.

The simple regression model for this objective is therefore as indicated below:

$$Y = 0.988 + .688X_4$$

The results indicate that if all communication and information are maintained at a constant zero, the management of county revenue funds will equal 0.988. This indicates that, if all other factors remain constant, a unit improvement in communication and information will translate into a.688 increase in the management of County Revenue funds. The model coefficients show that information and communication have a statistically significant effect on the management of income dollars in the Nakuru County Government of Kenya. ( $p=.000<.05$ ).

Since the p-value is less than.05 the null hypothesis ( $H_04$ ) is rejected. This implies that the Kenyan County Government of Nakuru's financial management is significantly influenced by communication and information. The results support a study by Abdallah (2018) that showed how using the budgeting process as a communication tool enhanced organizational performance. Therefore, in order to increase counties' efficiency and, therefore, their performance, effective budget allocation is required. Kathungu (2016).

#### 4.6.2.5 Effect of Monitoring in Management of County Revenue Funds

The fifth objective was to assess the effect of monitoring activities on the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis stated that monitoring activities has no significant effect on revenue management in the County Government of Nakuru, Kenya. The results from the linear regression conducted on the objective are as indicated in Tables 27, 28 and 29.

**Table 27:** Model Summary for Monitoring

R	R Square	Adjusted R Square	Std. Error of the Estimate
.822 <sup>a</sup>	.676	.672	.49247

**Table 28:** ANOVA Summary for Monitoring

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	41.460	1	41.460	170.949	.000 <sup>b</sup>
Residual	19.887	82	.243		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 29:** Regression Coefficient for Monitoring

<b>Predictor</b>	<b>B</b>	<b>SE</b>	<b>Beta(β)</b>	<b>t</b>	<b>p</b>
Constant	.988	.240		4.107	.000
Monitoring	.688	.070	.736	9.849	.000

The regression model (Model 1) has a remarkable R value of .822, suggesting a high positive correlation, as shown in Table 27's Model Summary for Monitoring. The model explains 67.6% of the variation in the dependent variable (county revenue management), according to the R-squared value of 0.676. Other variables not included in the research account for 32.4% of the variation. After taking the number of predictors into consideration, the modified R Square is .672. The model's prediction accuracy is shown by the estimate's standard error, which is 0.49247.

$F(1, 82) = 170.949$ ,  $p < .001$ , the ANOVA findings for Monitoring (Table 28), show statistical significance. This suggests that the regression model as a whole is quite important in predicting the dependent variable, highlighting the crucial role that monitoring plays in determining how county income is managed.

The constant's unstandardized coefficient, as determined by analysing the coefficients in Table 29, is 0.841 (SE = 0.193). The standardized coefficient (Beta) of the Monitoring predictor is 0.822, whereas its unstandardized value is 0.735 (SE = 0.056). For Monitoring, the t-statistic is 13.075,  $p < .001$ . These findings imply that monitoring has a major role in forecasting how county money will be managed. The management of county income increases by 0.735 for every unit increase in monitoring.

The simple regression model for this objective is therefore as indicated below:

$$Y = 0.841 + .735X_5$$

The results show that if the risk assessment remains at zero, the management of county income funds will be 0.841. This suggests that, assuming all other factors stay the same, a unit increase in risk assessment results in a.735 increase in the management of County Revenue money. The model results show that risk assessment has a statistically significant influence on the revenue management of the County Government of Nakuru, Kenya ( $p=.000<.05$ ). Because the p-value is less than.05 the null hypothesis ( $H_0$ ) is rejected. This implies that the management of revenue in Nakuru County is significantly impacted by risk assessment. The study backs up the conclusions of Lagat et al. (2016), who discovered that, among the five internal control system components, control monitoring activities significantly impacted financial management.

#### **4.6.2.6 Effect of Combined Internal Control System (Control Activities, Risk Management, Control Environment, Information and Communication and Monitoring Activities) on the Management of County Revenue Funds**

The sixth objective was to identify the combined effect of internal control systems (control activities, risk management, control environment, information and communication and monitoring activities) on the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis stated that the internal control systems (control activities, risk management, control environment, information and communication and monitoring activities) on the management of revenue funds in the County Government of Nakuru, Kenya. A multiple regression analysis was conducted to identify the overall relationship between the internal control systems and the management of county revenue funds. The results are as follows:

**Table 30:** Model Summary

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimates</b>
0.838	0.703	0.684	0.48339

**Table 31:** ANOVA Summary

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p</b>
Regression	43.122	5	8.624	36.908	.000 <sup>b</sup>
Residual	18.226	78	.234		
<b>Total</b>	<b>61.348</b>	<b>83</b>			

**Table 32: Multiple Regression Coefficient**

<b>Predictor</b>	<b>B</b>	<b>SE</b>	<b>Beta(<math>\beta</math>)</b>	<b>t</b>	<b>p</b>
Constant	0.516	0.228	-	2.264	.026
Monitoring	0.516	0.106	.577	4.861	.000
Control Activities	0.151	0.090	.160	1.682	.097
Risk Assessment	0.117	0.098	.126	1.202	.233
Control Environment	-0.011	0.117	-.012	-0.096	.924
Information and Communication	0.061	0.128	.065	0.477	.635

The Multiple Linear Regression analysis was conducted to determine the interactive influence of Information and Communication Sharing, Control Activities, Risk Assessment, monitoring and Control Environment on the dependent variable, which is Management of County Revenue, as illustrated in Tables 30 to 32.

The Table 30 of Model Summary includes significant information about the overall fit of the model. The strong R value of 0.838 implies that the predictors and the dependent variable have a strong positive relationship. The R square value is 0.703, which implies that more or less 70.3 percent of the variance in the management of county revenue can be explained by the model. The adjusted R Square that explains the number of predictors remains significant, at 0.684. The standard error of the estimate (0.48339) shows the level of accuracy of the model predictions.

The F-statistic ( $F(5, 78) = 36.908, p < 0.001$ ) in the results of the ANOVA in Table 31 indicates that the regression model is generally important in the prediction of the dependent variable. This means that the variables that have been chosen are able to explain the differences in revenue management in the counties in a significant manner.

Table 32 investigates the specific coefficients of every predictor in the model and provides the details of contributions of each predictor. The unstandardized coefficient of 0.516 (SE = 0.228,  $p = 0.026$ ) of the constant indicates the forecasted intercept when all predictor variables have zero values.

It is indicated that monitoring is a predictor with significant value at unstandardized coefficient of positive value (0.516) and a significant value at 0.106 with a significant value at 0.001. This

implies that the management of county revenue will increase by 0.516 of the units as the monitoring increases by one unit. Expectedly, the observed positive coefficient shows that the process of county income management is enhanced with better monitoring procedures.

Control Activities unstandardized coefficient is 0.151 (SE = 0.090, p = 0.097) with a positive and although not statistically significant contribution. A positive coefficient, though not significant statistically, indicates that the relationship might not be statistically significant enough to be separated out of chance even in cases where the coefficient is positive.

Equally, in Risk Assessment, there is a positive and non-significant correlation with an unstandardized coefficient of 0.117 (SE = 0.098, p = 0.233). The insignificance begs the question of giving Risk Assessment large weight of significance in forecasting the way revenue in the county will be managed even when the coefficient has positive impact.

Nonetheless, the unstandardized coefficient of the Control Environment = -0.011 (SE = 0.117, p = 0.924) is not significant. The negative sign is used to show that there is a possibility of the negative effect on the dependent variable despite the non-statistical significance questioning the sustainability of the relationship.

The coefficient of the unstandardized Information and Communication 0.061 (SE = 0.128, p = 0.635) is also less than the level of statistical significance. This means that, in the restrained setting of this research, the influence of communication and information on the management of the county revenue may not always be noticeable in this research setting.

The multiple regression is summarized as indicated below:

$$Y = .516 + .151X_1 + .117X_2 - .011X_3 + .061X_4 + .516X_5$$

According to the results, if all other variables were held constant at zero, the Kenyan County Government of Nakuru's income money management would be at 0.516. When all other independent variables are set to zero, revenue fund management will grow by 0.151, 0.117, 0.061, and 0.516 units for every unit increase in the level of Control Activities, Risk Assessment, Information and Communication, and Monitoring, respectively. Lastly, for every unit increase in

the control environment, the Kenyan County Government of Nakuru's income money management would decrease by.011.

In conclusion, the multiple linear regression analysis provides a comprehensive understanding of the combined and individual effects of the selected variables on county revenue management. Monitoring emerges as a significant positive impact, which is consistent with the obvious premise that diligent monitoring enhances revenue management. Despite the fact that Control Activities are on the rise, the lack of statistical significance suggests that interpretation should be done cautiously. However, the control environment, risk assessment, and information and communication don't appear to have much of an effect here. These findings provide policymakers and practitioners useful information for enhancing revenue management strategies in similar circumstances.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of findings

The study's primary goal was to determine how internal control mechanisms affected the way revenue monies were managed by the Kenyan County Government of Nakuru. An overview of the research conclusions drawn from the data gathered is provided below. The study's findings are shown in accordance with its goals.

##### **5.1.1 Establish the Effect of Control Activities on the Management of Revenue Funds in the County Government of Nakuru, Kenya**

The primary aim of the research was to know the effect of control activities on the management of the revenue funds in the Nakuru County Government of Kenya. The null hypothesis was tested to demonstrate that the control operations did not have any significant difference in the management of income funds within the Kenyan County Government of Nakuru.

The paper applied various methods of the control activities analysis. These were whether the County Government of Nakuru, Kenya, rotates the jobs of its employees regularly to make sure that they do not have the same jobs but different ones; whether the management had adequate procedures in place to conduct internal checks, including authorizations and verifications of every transaction; whether the employees had serious considerations of recommendations of the internal audit reports; whether the County Government of Nakuru, Kenya, tried to ensure that all financial books were to be audited by outside auditors; and whether it was appropriately controlled by ICT for example password access and relevant software to ensure that information was accessible only on the County Government of Nakuru, Kenya.

The correlation study showed that there was a significant positive correlation between the control actions and the management of county revenue funds. Results of the regression analysis showed that the control measures had a significant effect on the Kenyan County Government of Nakuru in income money management. These findings disproved the null where control operations, the null hypothesis, did not have any significant impact on the financial management of the Kenyan county government in Nakuru.

### **5.1.2 Examine the effect of Risk Management on the Management of Revenue Funds in the County Government of Nakuru, Kenya**

The second aim of the research was to investigate the impact of risk management on management of revenue funds in County Government of Nakuru Kenya. In the study, the null hypothesis, which is tested, is that there is no significant impact of risk management on revenue management in the County Government of Nakuru, Kenya.

The research examined risk management in many different perspectives. These included whether the county government is comprehensive and systematic in identifying risks that are linked with each of the county government set goals and objectives, whether the county government is appropriate and adequate in its assessment of risks during planning and approval of new products or activities, whether its staff members discusses the right controls in developing new products and activities, whether the risk management policy has brought positive change in the management of county revenues, and whether every staff member is conversant with the risk management policy used in the county government of Nakuru, Kenya.

As the results of the Pearson correlation analysis showed, risk management and the county revenue fund management have a positive relationship. A simple regression analysis on the County Governments of Nakuru, Kenya, showed that there is a high level of correlation between risk management and revenue fund management. In the test of the null hypothesis that was tested, the p-value was below.05. The null hypothesis was not proven in the inquiry. This means that the risk management significantly impacts on the County Government of Nakuru income management in Kenya.

### **5.1.3 Determine the Effect of Control Environment on the Management of Revenue Funds in the County Government of Nakuru, Kenya.**

The third objective of the study was to determine the effect of the control environment on the management of revenue funds in the County Government of Nakuru, Kenya. The study tested the null hypothesis that the control environment has no significant effect on the management of revenue funds in the County Government of Nakuru, Kenya.

In order to ascertain whether the County Government of Nakuru, Kenya has policies on staff ethics or codes of conduct, whether the management of the county government is committed to the

operation of the internal controls, whether policies and procedures are reviewed on a regular basis, whether specific lines of authority and responsibility have been established to ensure compliance with policies and procedures, and whether the management provides junior officers with feedback regarding the operation of the internal control systems, the researcher used a number of techniques.

The correlation study revealed a favourable relationship between the control environment and the management of county revenue funds. The Kenyan County Government of Nakuru's revenue management funds were significantly impacted by the control environment, per the hypothesis test findings. The study refuted the null hypothesis.

#### **5.1.4 Examine the Effect of Information and Communication on the Management of Revenue Funds in The County Government of Nakuru, Kenya.**

The fourth objective was to examine the effect of information and communication in the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis tested to prove that information and communication have no significant effect on the management of revenue funds in the County Government of Nakuru, Kenya.

Staff roles and responsibilities, staff members' knowledge of revenue management information, whether the county government's accounting system manages and reports transactions in compliance with accounting standards, whether adequate and relevant reports are produced for the proper management and control of the county government, and whether financial reports are easily accessible to all staff members were the questions that the study used to evaluate the data.

The results of the correlation study demonstrated a favourable association between the management of county revenue funds and the sharing of communications and information. The basic regression analysis employed to test the null hypothesis indicated a significant association between communication and information and the management of county revenue funds. Based on the study findings, the null hypothesis was disproved since the p-value for the analysis was less than .05. The study concludes that the way the County Government of Nakuru, Kenya, handles its revenue and finances is significantly influenced by communication and information.

### **5.1.5 To Assess the Effect of Monitoring Activities on the Management of Revenue Funds in the County Government of Nakuru, Kenya.**

The fifth objective of the study was to assess the effect of monitoring activities on the management of revenue funds in the County Government of Nakuru, Kenya. The null hypothesis was tested to prove that monitoring activities had no effect on the management of revenue funds in the County Government of Nakuru, Kenya.

Among other monitoring activities, the study used a range of approaches to assess whether the county government had a monitoring system in place to ensure compliance with internal controls. Is the appropriate action taken by the county government when non-compliance is reported? If internal auditors regularly assess the efficiency of the business's internal control frameworks. If the county government reviews the independence and skill of external auditors and whether the auditing procedures comply with ISA regulations. Whether audit or other control assessment reports provide sufficient information to help the government understand the condition of internal controls and whether they are timely enough for the county government to take the required action.

A significant positive association was found between the monitoring operations and the management of county revenue funds, according to the Pearson correlation research. The county administration has plenty of time to react to findings from audits or other control assessments. The simple regression analysis's findings demonstrated that the administration of the County Government of Nakuru, Kenya's income fund is greatly impacted by monitoring activities.

### **5.1.6 To identify the Combined Effect of Internal Control Systems (Control Activities, Risk Management, Control Environment, Information and Communication and Monitoring Activities) in the Management of Revenue Funds in the County Government of Nakuru, Kenya.**

The final objective was to determine how internal control systems, including risk management, control activities, control environment, information and communication, and monitoring activities, together affected revenue fund management in Kenya's Nakuru County Government. The study looked at the null hypothesis, which claims that the combination of internal control systems (control activities, risk management, control environment, information and communication, and monitoring activities) has no discernible effect on the management of revenue funds in the County

Government of Nakuru, Kenya. The study found that the five approaches together have a major influence on the Kenyan County Government of Nakuru's revenue money administration. Thus, the investigation disproved the null hypothesis.

## **5.2 Conclusions**

The results of the research indicate that control measures have a major influence on revenue management in the Nakuru county administration. The study looked at a variety of publications authored by various scholars. The reviewed literature indicates that control activities and revenue management in public institutions are strongly associated (Uwingabiye, 2020). A company with well-coordinated control operations often has a good influence on revenue generation (Mutua, 2023). This suggests that a more thorough and often implemented ICT control framework is needed to solve the issues brought up by a significant majority of respondents. As a consequence, the findings of this study are in line with those of other researchers and might be used to other research.

The study also discovered that risk assessment has a major influence on the revenue management of the Nakuru county administration. This collision aligns with earlier studies conducted by other scholars. Mutunga and Ondara (2021) define risk management strategies as risk identification, risk reporting, risk analysis, and risk control. According to Yemer (2017), management should set up proper power structures and continuously enforce and convey ethical standards in order to develop policies and procedures for risk assessment. Appropriate risk identification and documentation are necessary to handle the issues brought forth. The results may be applicable to different organizations as risk assessment need to be carried out at every stage of the new product creation process.

The study also discovered that the control environment has a big impact on the way the county government of Nakuru handles its finances. The county governments should ensure that their organizations have a strong internal control environment in which internal control activities influence suitable policies and procedures. To provide counties the assurance that the mitigation strategies they have put in place are adequate and effective, the control environment should be examined on a regular basis. (Onsindu et al., 2022)

The study also discovered that the Nakuru County Government's financial management is significantly influenced by information and communication. Musya (2014) asserts that communication helps employees understand their roles in relation to internal controls. The study findings also corroborate Sihaloho's (2018) claim that for operations to be effective, employees need to understand what other people are doing and be able to explain variances to higher management. By encouraging better communication about expectations, responsibilities, and objectives, internal control enhances decision-making and reduces the need for individual employees to prevent and detect fraud (Mwakimasinde et al., 2014). Consequently, these results are often applicable to other studies.

The study also discovered that monitoring has a major influence on the administration of the County Government of Nakuru's revenue. This outcome is in line with other academics' earlier findings. Maina et al. (2016) claim that effective monitoring identifies significant opportunities to increase revenue and risks to decrease it. According to Charles et al. (2017), monitoring ensures that audit and other review outcomes are determined on time. As a consequence, improving revenue management necessitates evaluating audit results quickly. Audits must be conducted continuously in order to report on the accuracy of the internal control systems. The conclusion may thus be extended to many research initiatives and countries.

The study came to the conclusion that the integration of internal control systems which comprise monitoring, information and communication, risk assessment, control activities, and the control environment has a significant influence on revenue management in the Nakuru County administration. This outcome is in line with earlier studies. Effective government expenditure is crucial to promoting economic development and achieving its objectives, claims Maphalla (2015). The effectiveness of county government expenditure also serves as a check on spending to ensure that it remains within revenue limits, as Sihaloho (2018) noted. Additionally, the ratio of output to input more specifically, revenue to expenditure is used to assess the efficacy of government, claim Lowndes and Gardner (2016). These results could apply to other counties as well.

### **5.3 Recommendations**

#### **5.3.1 Policy and Practice**

In order to improve revenue fund management in the County Government of Nakuru, some of the recommendations which are derived by the findings of the study can be suggested. To begin with,

there is a necessity to increase control activities. This involves thorough internal control process review and optimization including the allocation of tasks and internal checks to enhance the overall effectiveness of controls.

Secondly, the county government needs to enhance risk identification and evaluation training and tools although the relationship is not statistically significant. Create a step by step system in order to tackle operational, financial, and compliance risks. Take a holistic approach to risks evaluation and reduction. It entails the process of identifying, evaluating, and controlling hazards on revenue funds, in a systematic way. To prevent financial resources damage, routine risk examination, scenario planning, and contingency plans should be introduced.

Thirdly, the County Government of Nakuru should be advised to re-evaluate and foster an ethical control environment, though this was not significantly found in the study. It is important to create an ethical behaviour culture, integrity, accountability, and compliance culture that enforces internal controls. Financial management can be improved by conducting regular reviews of the organizational culture, along with special interventions.

Moreover, the county government must pay more attention to the improvement of transparent and effective practices of information sharing to manage better revenue funds. Introduce contemporary ICT systems in order to facilitate real-time reporting and data sharing. Enhance feedback processes and make communication a two-way and a regular process. Communication is very vital to any organization notwithstanding its statistical relevance. This entails the provision of timely reporting, clear documentation, and regular updates so that all financial information can be available to all the stakeholders.

Finally, given the presence of a strong and statistically significant positive change in monitoring activities on the management of the revenue funds, the County Government of Nakuru needs to invest in the comprehensive monitoring practices, which involve the internal audit units and control boards. This includes investing in resources and energies to systematic review of financial processes, transactions and compliance so that transparency, effective and efficient management of revenue funds become possible.

Finally, frequent training of employees in the area of internal, ethics, and financial management, Hire qualified finance and auditors. In addition, enhance legislation and regulations to keep people culpable of mismanagement of funds. Establish systems to track, report and respond to financial abnormalities. These are recommendations that offer a holistic way of improving the revenue fund management of the County Government of Nakuru based on areas of concern and opportunity that may be seen in the objectives of the study.

### **5.3.2 Contributions of the Study to the Body of Knowledge**

According to the reviewed literature, several research on the effect of internal control systems have been conducted, and this study has identified any knowledge gap. It paid attention to the influence of internal control measures on the management of Nakuru County revenue fund. In the frame of the devolved government of Kenya, this issue has not received a lot of academic coverage. In particular, this paper is concerned with revenue fund management, so it can be regarded as highly applicable to the county government operations, unlike most other papers that examined financial performance or revenue gathering efficiency on the general level.

Unlike other studies that omit some of the existing seven internal control elements, the study is unique in that it uses COSO framework in its entirety, evaluating five out of them. Despite the fact that the separate advantages of each component are determined by the study, the most significant predictor of successful revenue management is demonstrated to be monitoring. When the source data is acquired directly among the employees of the Treasury, the conclusions become more reliable and applicable in practice.

The report provides revenue management plan to be used in the county governments. According to the considered literature, numerous researches were conducted in areas beyond county governments. The conceptual framework is very useful in the model.

The study is also remarkable given that the research topic is a subject that had not attracted much academic discussion in the Kenya context of devolved governance: the issue of the role of internal control mechanisms in controlling the management of the revenue money within the Nakuru county administration. The research was also devoted to the revenue fund management, thus, being highly relevant to the activity of a county administration.

The simple and multivariate regression analysis reveal that the research is unique. The study concludes that monitoring has the greatest predictive power on the successful management of revenue besides the determination of the individual impact on each aspect. It provided objective evidence on how the financial reporting, risk management, and compliance influence the management of the revenue funds. The results presented county-based issues, i.e. slow disbursements and poor uptake of development funds, and provided pragmatic, policy-based suggestions.

### **5.3.3. Suggestions for Further Research**

The study's primary goal was to evaluate how internal control mechanisms affected Nakuru County's revenue management. Nakuru County was the primary subject of the present investigation. For the purpose of comparison and benchmarking, it is advised that comparable studies be carried out in other county governments and public organizations.

According to the research, internal control systems account for 70% of revenue management, with other aspects accounting for 30%. This indicates that internal control mechanisms have a significant cumulative impact on the revenue fund. The report recommends that further research be done to examine other aspects of income management. To have a better understanding of revenue management, these elements need to be included into the analysis as variables.

A structured questionnaire with open-ended questions or an interview schedule are two examples of research instruments that may be used to conduct more research and perhaps provide more insightful data in this area of study.

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## APPENDICES

### Appendix I: Introduction Letter to NACOSTI

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**OFFICE OF THE DIRECTOR GRADUATE SCHOOL**

Ref: **CM11/0563/09** Date: **26<sup>th</sup> July, 2023**

The Director General  
National Commission for Science Technology and Innovation,  
P. O. Box 30623-00100  
**NAIROBI.**

Dear Sir,

**RE: REQUEST FOR RESEARCH PERMIT – MS. AGNES KERUBO MACHORA REG. NO. CM11/0563/09**


This is to introduce and confirm to you that the above named student is in the Department of Accounting, Finance & Management Science, Faculty of Commerce, Egerton University.

She is a bona-fide registered MBA student in this University. Her research topic is "The Effect of Internal Control Systems in the Management of Revenue Funds in the county Government of Nakuru, Kenya."

She is at the stage of collecting field data. Please issue her with a research permit to enable her undertake the studies.

Your kind assistance to her will be highly appreciated.

Yours faithfully,



*S.P. Nyalala*  
**Prof. S.P. Nyalala, PhD**  
**DEPUTY DIRECTOR, BOARD OF POSTGRADUATE STUDIES**

SPN/v4

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Transforming Lives Through Quality Education

## Appendix II: Research Permit from NACOSTI

REPUBLIC OF KENYA  
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **843829** Date of Issue: **23/August/2023**

**RESEARCH LICENSE**




**This is to Certify that MS. AGNES KERUBO MACHORA of Egerton University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nakuru on the topic: THE EFFECT OF INTERNAL CONTROL SYSTEMS IN THE MANAGEMENT OF REVENUE FUNDS IN THE COUNTY GOVERNMENT OF NAKURU, KENYA for the period ending : 23/August/2024.**

License No: **NACOSTI/P/23/28710**

Applicant Identification Number: **843829**

Director General  
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



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### Appendix III: Questionnaire

Kindly answer the following questions as accurately as possible. The questions are intended for research purpose only. Whatever you write will be used for the intended purpose only and will remain confidential. Do not write your name on this questionnaire. Put a tick (✓) where relevant.

#### SECTION A: Demographic Information

1. Please indicate your gender

Male  Female

2. Please indicate your age category

Below 25 years  26- 35 years

36-45 years  46- 55 years

Above 55 years

3. What is your highest professional qualification?

Certificate  Diploma

Bachelor's Degree  Master's Degree

Doctorate

4. Number of years worked at County Government of Nakuru

1year and below  2 - 4 years

5 – 9 years  10 years and above

5. Indicate the terms of employment in the County Government of Nakuru

Permanent  Contract

**SECTION B: Control Activities**

Please tick where appropriate the extent to which you agree to the statements related to how control activities affect the management of Revenue Funds.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

STATEMENTS	1	2	3	4	5
There is segregation of duties and job rotations among staff in the county.					
There are frequent reviews to ensure proper records are kept and sensitive documents are under lock and key.					
There are adequate procedures to carry out internal checks such as authorizations and verifications for every transaction.					
The county has an established a revenue Board with clear administration structure.					
The county has an established cashless revenue collection system to curb pilferage.					
The county undertakes regular external audit					
ICT controls such as password access and software are installed and provided to authorize persons only.					

**SECTION C: Risk Assessment**

Please tick where appropriate the extent which you agree to the statements related to how risk assessment affect the management of county revenue funds.

Key: 1 = Strongly Disagree, 2 = Agree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

<b>STATEMENTS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is comprehensive and systematic identification of risks in all departments and documented.					
Risks are evaluated appropriately at the planning stage of new products and services					
The county top management has a culture of rewarding employee integrity					
There is an established risk management in the county					
The county government has an established disaster recovery and business continuity plans.					
All departments in the county share the risk assessment for continuous control and improvement					

**SECTION D: Control Environment**

Please tick where appropriate the extent which you agree to the statements related to how control environment affect the management of county revenue funds.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

STATEMENTS	1	2	3	4	5
There is a well elaborate organizational structure that defines roles and responsibilities of all employees.					
The county has approved management policies that are shared to all employees to ensure compliance.					
The county has a code of ethics that is signed by all employees in regard to fraud and corruption.					
The management enforces values and ethical behaviours among employees in regard to fraud and misconduct.					
Specific lines of authority and responsibility have been established to ensure compliance with policies and procedures.					
The management responds promptly to internal audit reports recommendation.					
Management provides feedback to all staff on the effectiveness of the internal control systems.					

**SECTION E: Information and Communication Sharing**

Please tick where appropriate the extent which you agree to the statements related to how information and communication sharing affect the management of county revenue funds.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

<b>STATEMENTS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There are procedures to ensure directives are carried out in timely manner to all functional levels					
The (ICT) department ensure technological efficiency					
Top management ensures that reliable and relevant information is communicated to all stakeholders in the county.					
Pertinent information is identified, captured and distributed in a form and timeframe					
Appropriate and sufficient reports on revenue funds are produced by the management					
Financial reports are easily accessible to all employees					

**SECTION F: Monitoring Activities**

Please tick where appropriate the extent which you agree to the statements related to how monitoring activities affect the management of county revenue funds.

Key: **1** = Strongly Disagree, **2**= Disagree, **3**= Neutral, **4**= Agree, **5**= Strongly Agree

STATEMENTS	1	2	3	4	5
The management conducts continuous monitoring to determine internal controls.					
The internal audit conducts a continuous monitoring on the internal control system					
There is timely review of audit reports that assist in improving financial management					
The management takes appropriate follow up and takes action for non-compliance that are reported to it.					
Internal auditors continually inspect adequacy of the county's internal control systems.					
The management has mechanisms to verify all financial approvals and monitors use of funds					

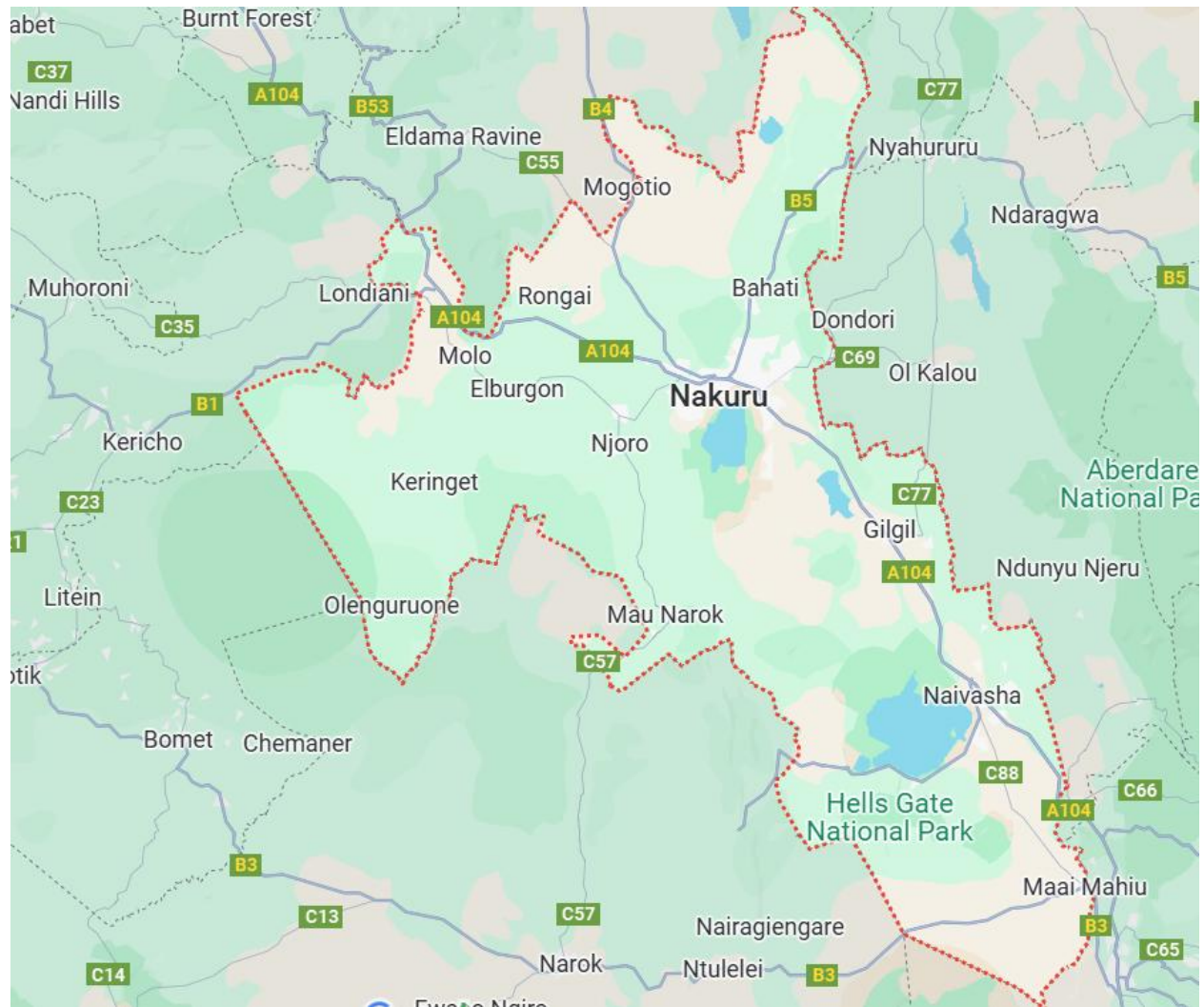
**SECTION G: Management of County Revenue Funds**

Please tick where appropriate the extent which you agree to the statements related to the management of county revenue fund according to its objective.

Key: **1**= Strongly Disagree, **2**= Disagree, **3**= Neutral, **4**= Agree, **5**= Strongly Agree

<b>STATEMENTS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is improved service delivery					
There is effective financial management					
There is reduction in pending bills					
Release of devolved revenue fund from national government are always delayed					
The budget allocation always is used for intendent expenditure					
Devolved funds are always audited internally					
All departments are involved in the discussion of the recommendations in the internal audit reports					

**Appendix IV: Map of Nakuru County**



**Appendix V: Department of Finance and Economic Planning**

1. Internal Audit and Risk Services
2. Accounting and Reporting
3. Supply Chain Management
4. Budget and Economic Planning
5. Administrative Services and Revenue Management

## Appendix VI: Journal Publication

International Journal of Business Management and Process  
<http://journals.essrak.org/index.php/Business>

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### THE EFFECT OF INTERNAL CONTROL SYSTEMS IN THE MANAGEMENT OF REVENUE FUNDS IN THE COUNTY GOVERNMENT OF NAKURU, KENYA

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#### ABSTRACT

*Internal Control System constitute a system, which monitors a firm in the direction of its set-up goals. This study sought to identify the effect of internal control systems in management of revenue funds in County Government of Nakuru, Kenya. The study used the descriptive research design with a target population of 504 employees drawn from Nakuru County Treasury Department. Simple random sampling technique was used to the sample of 84 employees. The Nassiuma 2000 formula was used to determine the sample size. Primary data was collected by use of a closed questionnaires and used the drop and pick method. Data was analyzed with the aid of SPSS (Version 23) software. Data was analyzed by use of descriptive statistics, correlation analysis, simple and multiple regression analysis. The results revealed a strong positive correlations were observed between control activities and revenue management ( $r = 0.656, p=0.000 < 0.05$ ), a positive correlations between control environment and revenue management, a strong positive correlation between the control environment and revenue management ( $0.694p=0.000<.05$ ), risk basement and revenue management ( $r = 0.669, p =0.000< 0.05$ ), a positive strong correlation between information and communication sharing and revenue management ( $r = 0.736, p=0.000< 0.05$ ) and a strong correlation between monitoring and revenue management ( $r = 0.822, p =0.000< 0.05$ ). From the regression analysis control activities, risk assessement, control environment, communication and information and monitoring reeled statistically significant effect in revenue management. The combined effect of internal control systems revealed a statistically significant effect on revenue management ( $R^2 = .0703, F=36.908$  and  $P=.000<.05$ ). The study concluded that internal control system has a significant effect on revenue management of the county government of Nakuru. The study recommended that the county government of Nakuru to invest in robust monitoring procedures. This involves dedicating resources and efforts to systematic reviews of financial processes, transactions, and compliance, ensuring effective and efficient management of revenue funds. The study is of significance to charge with governance as the study provides information on how to improve financial management structures.*

**Keyword:** *Internal Control Systems, Revenue Management, County Revenue Funds, County Governments*

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#### Introduction

Organizations worldwide encounter operational risks that may hinder them from achieving both financial and non-financial objectives. Effective resource management often requires a control system that directs decisions and actions towards a defined goal (Onsindu et al., 2022). Kenya has been struggling to address various socio- economic injustices and low development levels through the initiation of various reforms mainly focusing on devolving funds. The reforms aim to transform the country into a middle-income nation by 2030. Public Finance Management principal purpose

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