IMPACTS OF INTERNAL CONTROL SYSTEMS ON THE DETECTION AND PREVENTION OF FRAUDS IN COUNTY GOVERNMENTS. A CASE OF KIAMBU COUNTY GOVERNMENT

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OCTOBER, 2017
DECLARATION

This research project is my original work and has not been presented for a ward of degree in any other University.

Sign: ........................................... Date: ...........................................

Julia Wanjiku Wangombe

This project has been submitted for examination with my approval as University Supervisor.

Sign: ........................................... Date: ...........................................

Mr. Haron A. K. Sitienei
DEDICATION

I dedicate the project work to my entire family, for the support and especially for encouraging and cheering me up throughout the period.

May God bless you all abundantly.
ACKNOWLEDGEMENT
Foremost, I thank the Almighty God for giving me the opportunity to undertake the degree course and seeing me through each and every step.

Secondly, I am greatly thankful to my supervisor Mr. Haron A. K. Sitienei for his personal commitment, encouragement, availability, patience and tolerance during the many discussions which immensely contributed to the success of the project.

Special thanks to my family for the good counsel that has enabled me achieve this goal.

To all of you, may our dear Lord richly bless you!
ABSTRACT

An effective internal control system should be able to provide managers with the means to increase accountability for their programs and to obtain reasonable assurance that the programs they direct meet established goals and objectives. However, an effective system is not only restricted to a digital one but to one that is able to prevent and detect fraudulent activities. The general objective of this study was to analyze the impacts of internal control systems on the detection and prevention of frauds in County Governments. A case of Kiambu County Government. The study was guided by the following specific objectives: control environment and activities, risk assessment, information flow and monitoring and evaluation. This study adopted a descriptive research design. The target population was 148 staff which was divided into 4 homogeneous subgroups, namely Finance and Accounting, Human Resource, Procurement and ICT Department. These departments handle much of the County finances. Stratified random sampling method was used in order to give equal chances to each member of staff participating in the study. The study considered 50% of the population. The primary data was collected by the use of structured and semi-structured questionnaires, which will contain both open and closed ended questions. The edited data was analyzed using SPSS. Each question on the questionnaire was shortened and entered into the software in a format that is understandable, followed by coding the answers that the respondent has given. Numbers were given to each question and responses were formatted to allow results. Data was presented in form of tables, charts, frequencies, percentages, mean and standard deviations. The current internal control measures and risk assessment mechanisms within county governments are not efficient enough to prevent fraud occurrence. Lack of efficient information flow and poor utilization of communication channels by staffs inhibited prevention of frauds, there existed poor reporting mechanism for activities in most of the organizations, internal audit department lacked independency of its management, external auditors cannot rely on the works of internal auditors when auditing and the Quality assurance was not adhered to for all organizational projects. There is need to set an appropriate tone at the top, upper management should encourage ethical behavior via transparent means. There is need to set risk assessment procedures, assessing fraud risks can be done by brainstorming ways which the organization could be defrauded. There is need to create reporting and investigation processes.
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<tr>
<td>APC</td>
<td>Auditing Planning Committee</td>
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<td>CoK</td>
<td>Constitution of Kenya</td>
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<td>GFRP</td>
<td>Government Financial Regulations and Procedures</td>
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<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<td>NTA</td>
<td>National Tax Payers Association of Kenya</td>
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<td>PFM</td>
<td>Public Finance Management</td>
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<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>USA</td>
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OPERATIONAL DEFINITION OF TERMS IN THE STUDY

Control: Is an exercise performed in the present to achieve a plan drawn up for the future.

Frauds: A fraud is deliberate deception to secure unfair or unlawful gain. Fraud is both a civil wrong and a criminal wrong

Frauds: A fraud is deliberate deception to secure unfair or unlawful gain. Fraud is both a civil wrong and a criminal wrong

Internal Control Systems: Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Internal Control: It has been defined by the Auditing planning committee (APC) in UK as the whole system of control financial and otherwise established by management in order to carry out the business of the enterprise in an orderly and efficient manner to safeguard the assets and secure as far as possible, the competence and accuracy of records, the prevention and detection of errors and fraud in accordance with the final preparation of financial statement.

Management: It is defined as the process of planning, organizing coordinating and controlling the activities of an organization. It is seen as a group of people who monitor and control the organization activities towards the achievement of the organization objectives.
CHAPTER ONE
INTRODUCTION

1.0 Introduction
This Chapter included background information, problem statement, objective of the study, research hypothesis, scope of the study, justification of the study and the conceptual framework.

1.1 Background of the Study
Internal control systems are a set of procedures and policies put in place to safeguard assets of an organization by minimizing the chances of fraud cases and ensure the potentiality of an organization (Adams, 2012). Internationally, every association, regardless of whether profit or non-profit, has its destinations and objectives as a top priority to accomplish (Frost, 2011). Non-profit making association, they will probably fulfill the social need of the natives and in the push to accomplish these reasons supervision as a general rule play a fundamental part. The size and extent of these associations have here and there made it hard for the executors to practice individual and direct supervision of operations. It is in this light inner control set up by administration is started. For an organization to do its business, there must be factors set up for the smooth running of the organization including materials, machines, cash and so forth to Lack of inward control has driven a few associations into being cheated by their representatives and clients (Gendron and Cooper, 2013).

Inward control devices are utilized by management to keep an eye on staff since directors are not ready to physically screen the exercises of the association. Organizations receive the inner control devices in a way that the framework self-checks. Any irregularity inside the framework is identified and rectified (Magala, 2012). To guarantee self-checking, the administration could utilize gadgets, for example, isolations, supervision of work and affirmation of execution. Viable game plan and execution of this control framework would guarantee legitimate administration. The primary explanations behind having an inside control framework is to advance operational adequacy and productivity, give solid money related and authoritative data, protect resources and records, urge adherence to recommended approaches and consistence with administrative offices (Morgan, 2013).
Internal control failures have been the reason behind the most dangerous bookkeeping outrages of the world (Spillane, 2014). The Enron is the best case in the U.S. Preceding Enron's crumple in 2001, the organization expressed profit of $200 million and worth billions of dollars in money markets. Then again, the stock cost of Enron was driven up by false bookkeeping practices and profit administration (Spillane, 2014). Be that as it may, it was pronounced to have exaggerated its income in the course of the most recent four years and owed about $6 billion to its loan specialists. Majority of financial specialists lost their cash; workers lost their occupations and representative's benefits vanished after the fall since the organization's annuity conspire had put resources into its own particular offers (Spillane, 2014).

Holtfreter, (2010) expressed that main ten most recorded fakes of the world incorporate Enron (America), WorldCom of America, Bank of Credit and Commerce International U.K, Suprime Mortgage and Barnie Madoff of America, American International Group (America), Barlow Clowes (United Kingdom), Fannie Mae and Freddie Mac (America), Daewoo Group (South Korea) and Satyam Computers (India) individually. Having these organizations experienced misrepresentation, they for sure had, interior and outside reviews and other important controlling frameworks. In actuality, nobody was in a position to reveal the genuine circumstance in the organizations until the point when they went bankrupt. This demonstrates current inward control frameworks are not as compelling as they ought to be (Widener, 2013).

In by and large perceived, most creating nations have incapable government inside control framework. The real inadequacy in the inward control frameworks in most creating nations is for the most part perceived as the central point encouraging the abuse of open assets and budgetary defilement (Van Horne, 2012). In Zambia, there has been no particular monetary change for open division (Van Horne, 2012). The nation has confronted limit imperatives and insufficient data process and frameworks. Moreover, resistance with inside controls has prompted poor consistency of government consumption and absence of investigative limit.

In Kenya, as indicated by the National Treasury News 2015, 25 and 30 percent of national spending plan or about Kshs (Kivuva and Odhiambo, 2016) 400 billion was lost every year through misrepresentation. These loses were significantly ascribed to the heightening of
expenses in government acquisition occasioned by frail inside control frameworks (Okwach, 2015). Guard dog establishments likewise uncovered that administration divisions don't appropriately represent stores allotted to them. It is most disastrous in Kenya where defilement is a key limitation towards more prominent development and flourishing. Debasement accept two structures; unimportant defilement and expansive scale debasement. Vast scale defilement alludes to buys made at swelled costs, open advantage arrived out to individuals who are not entitled; imaginary organizations being paid for gets that they never executed and consequently esteem for cash isn't accomplished on open assets. Kenya being at a basic phase of actualizing the declined arrangement of administration as upheld in the Constitution of Kenya 2010 (Wanjau and Ayodo, 2012). Furthermore, presenting 47 County Governments with financial obligation, the Constitution additionally settled new Public Finance Management (PFM) organizations, for example, the Commission on Revenue Allocation, Salaries and Remuneration Commission and Office of the Controller of Budget and extended the command of the Auditor General

1.1.1 Frauds in County Governments

Promulgation of the Constitution of Kenya 2010 (CoK 2010) on 27 August 2010 cleared approach to acknowledgment of the fantasy arrangement of administration. Section 11 (CAP 11) of COK 2010, decayed Government particularly accommodates setting up of the County Governments. Despite these bold provisions the country has witnessed highest levels of funds misappropriation and corruption. In 2016 alone, 24 county governments were not in a position to represent Sh140 billion got from the National Treasury. A flag of either the accounting bad dream the regressed governments wind up in or through and through preoccupation of citizens' cash.

As per the Auditor general, Nairobi County couldn't represent 20 billion for comparable issues. In Vihiga County, the accuracy of Sh 4 billion receipts couldn't be affirmed since the County utilized manual entries. The County could furthermore not legitimize why it had opened 52 ledgers. At Nyeri County, the Auditor general found an abnormality in the announcement of receipts and installments with an unexplained distinction of Sh162 million. In a similar vein, exchanges done by means of 12 financial balances which couldn't be affirmed as the region
works without fundamental books of record, for example, money books (Kivuva and Odhiambo, 2016).

In Uasin Gishu, the accuracy of Sh546M in finished consumption and the bookkeeping of Sh4.5 billion couldn't be affirmed following a fluctuation of Sh15 million. The precision of bank adjusts adding up to Sh1 billion couldn't be affirmed due to an updated cash book. In Turkana County, resources worth Sh6.1 billion and those assumed control from the County Council couldn't be represented. It had likewise made sporadic installments worth of Sh60 million to cooperatives without lucidity on how the assets were utilized. There were likewise unsupported improvement awards adding up to Sh1 billion. Records from Lamu County showed a disparity of Sh3.4 billion between the use figures posted on IFMIS and those in the money related articulations and another change of Sh59 million for intermittent consumption. In Kwale, the evaluator inquires the aggregate money related resources of Sh1.2B due to unexplained discrepancies (Kivuva & Odhiambo, 2016).

1.1.2 Kiambu County

It is situated in the Central highlands of Kenya, in the previous Central Province, near Kenya's capital, Nairobi. It has a region front of 2,543.42 square kilometers; it is viewed as one of the wealthiest provinces in Kenya. It is a main imaginative business center that offers its outskirts with five different regions; Nakuru and Kajiado toward the West, Murang'a and Nyandarua toward the North and Nairobi toward the South. The county has among the wealthiest individuals, among them from different ethnicities who essentially work in the common administration, do business, are agriculturists or in casual business. There is a significant level of Asians and Caucasian populace who are either in business or working for different remote missions. Kiambu town is the business and managerial capital of Kiambu County. It has vicinity to the city of Nairobi and it has key government workplaces for the fundamental services. It's practically viewed as a suburb of Nairobi with most white collar class leasing houses here while they make every day drives to Nairobi for work. The town is seeing fast development with significant street foundation and complex land developments inside and in the neighboring environs.
1.2 Statement of the Problem
Arguably, there might be problems to comprehend the effect of inside control framework in public sector until the point when the general population segment runs bereft of monetary controls. The nonappearance of sufficient inside control measures uncovered the money related administration of open area to dangers including monetary proclamations, loss of County Government resources, bungle of County Government essential reports, inaccurate and temperamental budgetary which may prompt loss of County Government trustworthiness and usage of bookkeeping arrangements which are conflicting with the relevant enactment. There is a general observation that organization and implementation of appropriate inward control frameworks prompt enhanced budgetary administration.

There is a general conviction that legitimately established frameworks of controls enhance the announcing procedure and offer ascent to solid reports which upgrades the responsibility capacity of administration of an element. In any case, accessible writing demonstrates that in spite of expand arrangement of controls in any associations, inward control frameworks has been as a rule slippery of these associations (OAG, 2011). Local studies carried out on fraud prevention detection have mainly been concentrated on commercial banks and not public institutions e.g. Barclays bank of Kenya on fraud related challenges. A good number of studies have been undertaken on fraud but none of these studies have focused on how internal control systems could be used to detect and prevent the occurrence of fraud in the county governments.

Some of the current internal control systems at County Governments are manual based. This could mean that there are several flaws in this manual operated system. These could include, but are not limited to forgeries (documents and signatures), loss of documents, loss of time, delayed payments and poor general output. This study therefore aimed to analyze the impacts of internal control systems in the detection and prevention of frauds for County Governments.

1.3 Objectives of the Study
The general objective of this study was to analyze the impacts of internal control systems on the detection and prevention of frauds in County Governments. A case of Kiambu County Government

1.3.1 Specific Objectives
The study was guided by the following specific objectives;

i. To establish impacts of control environment and activities in detection and prevention of frauds in County Government in Kenya.

ii. To assess the role of risk assessment on detection and prevention of frauds in County Government in Kenya.

iii. To analyze the influence of information flow on detection and prevention of frauds in County Government in Kenya.


1.4 Research Questions

i. To what extent does control environment and activities impacts on detection and prevention of frauds in County Government in Kenya?

ii. Does risk assessment impact on detection and prevention of frauds in County Government in Kenya?

iii. What is the influence of information flow on detection and prevention of frauds in County Government in Kenya?

iv. Is there any effect of monitoring and evaluation on detection and prevention of frauds in County Government in Kenya?

1.5 Significance of the Study

Kenya has become a victim of fraud cases as evidenced by mass labour layoffs and restructuring of many institutions both government owned and private sector. This phenomenon has affected Kenya’s economy negatively thereby increasing the level of poverty index. Studies indicate that the problems related to the frauds and losses can probably be avoided if the concerned government institutions and companies maintain effective internal audit systems. The study will therefore be conducted in order to analyze the impacts of internal control systems in the detection and prevention of frauds in County Governments. A case of Kiambu County Government

This study work will help associations to find the effect of powerless inside control frameworks and recommend measures to remedying them. Moreover, it will uncover the issues caused by
awful inside control frameworks and happen to use to students, researchers, teachers and other outsiders as it might open new zone of further research fill in and in addition propel difficulties to up-coming analysts.

1.6 Scope of the Study
The study was conducted in five departments of Kiambu County Government whose head offices are located at Kiambu Town. The population consist of Two hundred and fifty staffs in Head office. The researcher used questionnaires to obtain data from staffs in the mentioned departments. Direct observation was also considered to enable the researcher come up with a comprehensive report for the study. The study was done in a duration of three months.

1.7 Chapter Summary
The project was composed into five (5) chapters. Chapter one entailed of background of the study, statement of the problem, objectives of the study, research questions, significance of the study & scope of the study. Chapter Two (2) encompassed introduction and the body of the study where specific variables will be discussed, theoretical framework, related empirical literature as well as the conceptual framework. Chapter Three comprised the following: research design, target population, sampling procedure, research instruments, validity & reliability of the instruments and data analysis. Chapter four was data analysis and presentation while chapter five gave the summary of the findings, conclusions, recommendations & suggestion for further studies.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This section analysed past literature on the internal control systems and fraud detection and prevention. It also reviewed theories of internal control and fraud detection and prevention, empirical review and the research gap was also established.

2.1 Theoretical Literature Review
Referred to an accumulation of interrelated ideas based on theories. It is a contemplated set of thoughts which are gotten from and bolstered by information or confirmation. This investigation was guided by the accompanying outlined theories:

2.1.1 Self Control Theory
Gottfredson and Hirschi (1990) as refered to in (Holtfreter, 2010) the hypothesis expresses that people with low levels of discretion will probably carry out a wide assortment of wrongdoing and wrongdoing related practices. Individuals lacking self-control have a tendency to be incautious, uncaring, physical rather than mental, chance taking, shallow and nonverbal (McMullen, 2010). Likewise, hypothesis expresses that low poise is found out from youth through parental sustain. Seemingly, conflicting child rearing practices result in kids who can't postpone satisfaction, maintain a strategic distance from dangerous conduct, control their motivations and consider the sentiments of others (Holtfreter, 2010). People with more elevated amounts of discretion have a tendency to understand the low likelihood of long haul advantage and high likelihood of trepidation is related with criminal endeavor (McMullen, 2010). Discretion is essential if fraud is to be avoided from in any association. Be that as it may, abnormal state of discretion is truant in the greater part of province governments and Kiambu County isn't an exemption of the same.

2.1.2 The Fraud Triangle
As indicated by Fraud Triangle Theory (Albrecht, 2009), fraud is made out of three components namely; a perceived pressure, a perceived opportunity and rationalization of the act of fraud. The
three components are known as the misrepresentation triangle. Each act of fraud, regardless of whether done against a substance or for the benefit of an element, is constantly made out of the three components (Albrecht, 2009). The components in the fraud triangle are intelligent, for example the greater the perceived opportunity or the more intense the pressure, the less rationalization it takes for someone to commit fraud (Albrecht, 2009). This hypothesis is a mind boggling matter and is a component of a blend of variables (Rae and Subramaniam, 2008). At times, albeit interior controls were poor, there were no episodes of extortion, while in different cases despite the fact that great inward controls existed workers still figured out how to evade the inside controls to submit misrepresentation (Rae and Subramaniam, 2008).

An understanding of how opportunities, pressures and rationalizations contribute to fraud in associations can help administration to effectively perceive the regions of helplessness to misrepresentation and reinforce (Albrecht, 2009). Misrepresentation culprits have had approaches to justify their activities as being satisfactory (Albrecht, 2009). Support of any false conduct is because of a fraudster's absence of individual honesty or other good thinking (Rae and Subramaniam, 2008). People tend not to submit extortion unless they can legitimize it as being reliable with their very own code of morals, since individual trustworthiness might be the key constraining component in shielding a man from misusing resources (Hillison, 2009). Justification by fraudsters comes about because of the inclination that the casualties owe them and along these lines, they merit more than they are getting (Mutua, 2011). A few people have a disposition, character or set of moral esteems that enable them to purposely and deliberately submit unscrupulous acts (Cohen, 2011). Strong moral code much of the time keep people from utilizing justifications to legitimize unlawful conduct; inward examiners however ought to expect that anybody is equipped for advocating the commission of fraud (Hillison, 2009).

2.2 Empirical Review

As indicated by Coso (2009), Adams (2012) there exists five interior control segments which are fundamental in presuming that inner control is viable to be specific; control condition, chance appraisal, data and correspondence, control exercises and observing. Ishmgisa (2011) alludes inner controls to a procedure containing five (5) part specifically control condition, hazard evaluation, control exercises, data and correspondence and observing. Outstanding to the creator,
every part impacts all parts of an associations exercises whether managerial, monetary or bookkeeping operations. In this regard, the creator expressed the requirement for compelling working of each of the segments for the association to accomplish the reason for which it was set up.

ACCA (2005) features that interior controls concentrate on setting up duties through assignment of energy and specialist. Beasley (2009) said that it assumes an imperative part in avoiding/distinguishing misrepresentation and ensuring the associations assets, in physical make-up, for example, apparatus and property, immaterial, for example, notoriety, and protected innovation e.g. trademarks. Chen (2005) watched that at each hierarchical level, the interior control destinations identify with the unwavering quality of money related detailing, auspicious input on the accomplishment of operational or vital objectives, and consistence with the laws and directions.

Ishumgisa (2011) and Holmes (2012) depicted internal control to the particular arrangement of strategies, systems and exercises intended to meet a target. There may exist a control within a designed function or activity in a process. Controls information might be element wide or particular to a record adjust, class of exchanges or application. In any case, Holmes (2012) keep on saying that controls have particular attributes; controls can be computerized or manual, reconciliations, segregation of obligations, surveys and endorsement approvals, safe guarding and accountability of assets and preventing or detecting error or fraud.

According to Finn (2006), there are three types of controls that the entity’s internal audit function should recognize: preventive, authorization and detective controls. Preventative controls prevent risks from occurring for example; segregation of duties, recruiting plus training the right staff. Authorization controls prevent fraudulent or erroneous transactions from taking place. Detective controls which detect errors or fraud that has not been prevented. These help to deter undesirable acts in the organization. They could be exceptional reports to reveal that controls have been bypassed. They provide evidence to an occurred loss but do not prevent the loss from occurring for example, large payments being made without being authorized. They include; reconciliatory supervision, internal checks, physical inventions, analysis and audits.
Lawrence (2010) revealed that controls are either preventive or detective. Preventive controls endeavor to keep bothersome occasions from happening. They are proactive controls to anticipating misfortunes for instance; isolation of obligations, appropriate approval, sufficient documentation and physical control over resources. Detective controls identify unfortunate acts. As per Bazzoli (2011), investigator controls give confirm that a misfortune has happened yet don't keep a misfortune from happening.

Cases of investigator controls incorporate surveys, examinations, compromises, physical inventories and reviews. Chen (2005) said that the two controls are basic for successful inside control framework. From a quality point of view, preventive controls are fundamental since they are proactive and underscore quality. Nonetheless, Wales (2008) underlined that analyst controls assume an essential part in giving confirmation that preventive controls are working and forestalling misfortunes. In this way, the controls worked inside a procedure are inner in nature and it happens with a mix of interrelated segments e.g. the social condition influencing worker conduct, data necessary in control, and policies and procedures

2.2.1 Control Environment and Activities

Valentine, Godkin and Lucero (2012), a positive affiliation was found between moral condition and worker authoritative duty. In light of a specimen of 304 youthful working grown-ups, Valentine et al (2012), a moral situation was decidedly and altogether connected with the level of worker's authoritative responsibility. Besides, an examination by Kizirian and Leese (2004), review papers of data frameworks review engagements and found that the ethical tone of the review customers' administration significantly affects the quality of their security controls.

Anthony (2004) outlined that control environment sets the tone for the organization, influencing the consciousness of its people. It is fundamental to all the components of internal controls. Sharma (2004) stated that the consciousness of any organization is determined by its control environment, thus, the atmosphere that compels organizational members to conduct their activities and responsibilities as per the laid down control objectives.

As per Lower (2008), the effective control condition refers to where equipped individuals comprehend their obligations, the points of confinement to their power, and are proficient,
careful, and focused on making the right decision and do it the correct way. Jenny and Pamela (2006) state that an overseeing board and administration upgrade the hierarchical control condition as they set up and viably convey composed arrangements and methodology, a code of morals, and norms of direct. They likewise improve the control condition when they carry on in a moral way in to making a positive tone at the best and when they require same standard of lead from every other person in the association. The institute of Internal Auditors looks at control environment as one that dictates upon organizational members a feeling of consciousness that their continued stay at an organization is assured by demonstration of their expected level of competence as well as their comprehension of authority and responsibility limits. In this respect, organizational members feel and realize that they are accountable to the organization (Dublin, 1999).

Okwach (2000) disclosed that under such an environment, the organizational members utilize the available resources efficiently and effectively hence, achieving the expected organizational performance. On the other hand, Okwach (2010) views control environment as an enabler of execution of tasks by organization members as set by the board members and departmental managers through attitudes and actions that encourage the highest level of integrity, appropriate leadership philosophy, operating style and personal and professional standards, thereby leading to reasonable compliance and operational efficiency levels. Ishumgisa (2011) also noted that control environment makes organizational members aware of the job requirements and efficiency expected of them to carry out tasks that translate in the overall organizational performance.

Hollinger (2009) states that control activities are the administrative and supervisory actions that management engages in to keep the organization focused and cautious in addition to keeping members effective and efficient at task execution. Dublin (1999) considers control activities as activities that provide evidence that a loss has occurred. They include; analysis, reconciliations, and reviews. He emphasized the importance of authorizations in the form of expenditures as a result of an approved budget as a control activity. Approval of budget expenditure should involve questioning of unusual items, justification of the transaction and review of source documents (Van Horne, 2002). The control activities refer to the actions supported by internal control objectives, procedures and policies enabling managers to address risk timely, effectively and efficiently (Steeves, 2004). He further categorized the activities as preventive and detective.
Managerial and administrative measures that are pro-active in nature and prevent undesirable events from occurring are what he referred to as preventive controls. They comprise; proper authorization, segregation of duties, sufficient documentation, and physical control of assets.

COSO (2004) considers control exercises as approaches and strategies built up to addressing the risks and to accomplish the goals of the element. For them to be viable, control exercises must be proper, work reliably as per design all through the period, and be practical, extensive, sensible, and straightforwardly identify with the control goals. Control activities happen all through the association, in all levels and capacities. They incorporate the preventive and detective activities e.g. approval and endorsement methodology, isolation of obligations (approving, handling, getting recording, accepting), controls over access to assets and records, their confirmations, compromises, surveys of working execution and operations exercises, and supervision among others. Antony (2004) noticed that in the review of performance, administration analyzes data about current execution to spending plans, gauges, earlier periods, or different benchmarks to quantify the degree to which objectives and targets are being accomplished and to distinguish unforeseen outcomes or uncommon conditions that require development. Control activities contains the strategies and techniques that assistance to guarantee that administration mandates are done. In conflict, exercises upheld by approaches and systems when done appropriately and in a convenient way, oversee or diminish dangers. Similarly, managers are in charge of recognizing budgetary and the consistence dangers for their operations.

Generally speaking, staffs conduct in-line with policies and procedures set by the management can directly be linked to chances of fraud occurrence. In a case scenario where employees choose to adhere to workplace directives, the occurrence of fraud is significantly reduced as opposed to the reverse scenario. To the best of our knowledge, this interaction has barely been tested in Kenyan County Governments.

2.2.2 Risk Assessment

COSO (2004) considers evaluation of dangers to the way toward recognizing and breaking down of pertinent dangers to the accomplishment of the substance's goals and deciding the proper reaction. Hazard appraisal incorporates, the personality of hazard from both outer and inside variables of the substance, and the movement levels, chance assessment, evaluation of hazard
hunger of the association and the creating reactions of the considerable number of dangers in the association. There is have to consider the four sorts of reactions to chance; exchange, resilience, treatment, or end. The suitable controls are either preventive or criminologist.

Jenny and Pamela (2006), alludes hazard appraisal as the ID and investigation of pertinent the dangers to the accomplishment of the targets, in shaping a reason for how the dangers ought to be overseen. In this manner, setting goals is a precondition to inward controls. At the administration levels, objectives and targets require be introduced in a vital arrangement that incorporates a statement of purpose and comprehensively characterized vital activities (Robinson, 2007).

In a comparable view, Gleiling (2007) noticed that at the departmental level, objectives and targets ought to be delegated takes after; operational, budgetary, and consistence goals. A reasonable arrangement of objectives and targets is major to the achievement of an association. In particular, a division or work unit require have a statement of purpose, composed objectives and goals for each huge action (Manashe, 2006). In addition, objectives and goals ought to be communicated in wording that permit important execution estimation (Gleiling, 2005). In such manner, Selim (2009) bemoaned of that there are sure to exercises which are noteworthy for all associations with reference to planning, buying merchandise and enterprises, contracting representatives, assessing workers, and protecting property and hardware.

Groth (2000) considers the identification of risks as imperative in accomplishing the authoritative destinations because of viable inward control framework, independent how thoroughly thought out, and worked, can give just sensible not total affirmation to administration in regards to the accomplishment of a substance's goals. He says that supervisors ought to figure out what can turn out badly, what ranges have the most hazard, what resource are in danger, and who is in a place of hazard. The risks may incorporate; public scandal, abuse of incomes, resources and faculty, and furthermore the utilization of unreliable information for decision making. Then again, O'Leary (2006) considers recognizable proof of dangers as a test to a few associations. Identification of risks and the learning connected to counter them can be specifically connected to the level viable control framework in countering fraud. This
investigation will test staff information on chance evaluation and how viably their exercises keep the event of fraud.

2.2.3 Flow of information

ACCA (2005) considers information flow as a process through which the right organizational members tend to receive the right information at the right time. Here, formal and informal channels information flows are noted. Formal channels comprises of downward or top down, upward or bottom up and horizontal or lateral forms. The informal channels comprises majority grapevine. It is further noted that for information to achieve its intended purpose, need be identified, captured, processed and communicated in an authentic, useful & timely manner. In addition, the information communicated must be reliable, accurate, complete, specific, understandable, directed to the right people and relevant to the intended users.

Semanda (2011) considers the bottom up channel as a carrier of feedback from subordinates to management and involving verbal and nonverbal communication. According to Rossi (2007), verbal method constitutes management subordinate consultations, face to face discussions, and negotiations while nonverbal methods constitute written reports and suggestion boxes. Such interactions between management and subordinates are pivotal in motivating subordinates towards achievement of expected organizational performance given their democratic nature.

According to Suzanne & Naidoo (2005), the top down channel mostly occurs in an impersonal nature leading to information flow ambiguity, clear message delivery failure to subordinates contrary to what is intended by management. However, the bottom up channel supplements the top down to enable management attain desired organizational effectiveness. This was elaborated by Sudha (2009) who said that organizations using the top down channel tend to suffer information gaps, misunderstandings and consequently performance deficiencies.

Sudha (2009) also stated that lateral information flow is needed to coordinate tasks, share information, resolve conflicts and solve problems. In this case, lateral information flow is the communication between groups of people at the same level and thus, information flow between colleagues, departments or units. The author warned that poor lateral communication breeds
malicious messages, rumors and confusion that in turn would hurt employees and the overall organizational performance.

Byekwaso (2010) emphasized the need for a two way form of information flow to achieve the desired organizational performance because both information flows facilitate the implementation of planned activities. However, he stressed the need for guidance of this information by internal control objectives. Inward controls likewise cover the parts of data and correspondence frameworks or procedures that help the character, catch, and trade of data in a shape and time span that empowers individuals to do their obligations (Walker, Shenkir and Burton, 2003).

Chen (2004) said that data frameworks give reports to operational, money related and consistence related data that making it conceivable in the run and control an association. Notwithstanding, data and correspondence are fundamental to affecting control of data with respect to an association designs, control condition, dangers, control exercises, and execution must be conveyed up down and over an association (Wales, 2005 Reliable and relevant data and outer sources require be recognized, caught, prepared, and conveyed to individuals who require it in a shape and time in helpful casing. It is rather unclear, regardless of whether data courses through the correct diverts in Kenyan County Governments. Therefore, this study will identify any omissions in the current internal control system in regard to the flow of information.

2.2.4 Monitoring and Evaluation

The Institute of Internal Auditors (1995) considers monitoring to encompass activities such as periodical evaluations, Internal audits and management self-assessments. COSO (1998), Dublin (1990), Magala (2001) and Lary (2009) view monitoring as needed to ensure that planned administrative, operational and financial tasks and activities are run within a timely and proper manner such that set internal control objectives and organizational performance are achieved. Monitoring aims at determining whether organizational members are carrying out or have carried out their tasks efficiently and effectively as required by the organizations policies (Spillane, & Reimer, 2000).

Walker, Shenkir and Buton (2003) said that monitoring processes are valuable in evaluating the nature of inside control execution after some time. Monitoring refers to the appraisal of inside
control execution after some time. It is expert by on-going checking exercises and by partitioned assessments of inward control, for example, self-appraisals, peer surveys, and interior reviews. As indicated by Anthony (2004), observing is expected to decide if inside control is sufficiently composed, appropriately executed, and powerful. Interior controls are enough composed and legitimately executed if all the five control segments (control condition, control exercises, hazard appraisal, data and correspondence and checking) are available, working and outlined. Inner control is viable if administration and other partners have sensible confirmation that they comprehend the degree to which operational destinations are accomplished.

As indicated by NADC (1996) observing alludes to the constant surveillance of the implementability of a project. Not exclusively should the physical advance of the undertaking be checked, yet additionally the effect of the venture. There ought to be set up, one arrangement for checking and detailing for the duration of the life of the task. This will give a strong premise to examining patterns and characterizing procedures, and will be especially valuable when there is a difference in work force, administration, and approach producers. Changes in external variables relevant to the advancement of the undertaking ought to equally be enrolled in the advance report. Monitoring and evaluation is conducted regularly at County Governments in Kenya. However, the effectiveness of monitoring and evaluation to prevent fraud, to the best of our knowledge has not been queried.

2.3 Summary and Research Gaps

The harm by the danger, fraud, has done to the general population finance is out appropriately endless and needs critical consideration. It is clear from the writing survey on the part of inner control frameworks that there was a research gap in identifying with the connection between interior control frameworks, fraud identification and its prevention as no known investigations have set up the relationship particularly for County Governments and all the more particularly Kiambu County.
2.4 Conceptual Framework

The aim of conceptual framework is to capture the connection underlying the independent variables and dependent variable. The independent variables here in, include control activities and environment, information flow, risk assessment and monetary and evaluation. Under dependent variables the study has descriptors such as false accounting which involve giving wrong information by maybe fluctuating the figures, corporate fraud, false invoice, office supply scam and travelling and accommodation scam. However, there are also moderating factors like governing policies. Competent management who have knowledge and skills needed to set out systems which are meant to assist in the prevention of frauds and at the same time exercise due diligence. Organizational structure lays out functions of an institution and reporting systems while internal auditors have responsibility of evaluating and designing internal control systems that are used in prevention of fraud in County governments.
### 2.5 Operationalization of Variables

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>INDICATORS</th>
<th>MEASUREMENT SCALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control activities and environment</td>
<td>- Staff working relationship&lt;br&gt;- Approved job standards&lt;br&gt;- Record maintenance&lt;br&gt;- Internal control manuals</td>
<td>Nominal and Interval</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>- Effective reporting mechanism&lt;br&gt;- Independent internal audit&lt;br&gt;- Segregation of duties</td>
<td>Nominal and Interval</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>- Controls in approval decisions&lt;br&gt;- Mechanisms to identify change&lt;br&gt;- Knowledgeable persons</td>
<td>Nominal and Interval</td>
</tr>
<tr>
<td>Information flow</td>
<td>- Internal control information available&lt;br&gt;- Clarity in communication&lt;br&gt;- Clear interdepartmental communication</td>
<td>Nominal and Interval</td>
</tr>
<tr>
<td>Frauds detection and prevention</td>
<td>- Office supply scam&lt;br&gt;- Travelling and subsistence scam&lt;br&gt;- Revenue &amp; recognition&lt;br&gt;- False accounting</td>
<td>Nominal and Interval</td>
</tr>
</tbody>
</table>

### 2.6 Chapter Summary

This chapter analyzed literature from various scholars on leadership and organization performance. All the study variables have been discussed separately plus the theories reinforcing the study variables. In addition, conceptual framework has also been developed in order to show the relationship between the study and its variables.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction
This section describes the methodology used in obtaining data. It describes the research design, target population, Sample and sampling technique, instrument, pilot study, data collection procedure, data analysis and presentation and finally ethical consideration

3.1 Research Design
The research design is a plan, specifying the methods and procedures to be used in collecting and analyzing data. This study adopted a descriptive research design. Orodho, (2011) defines descriptive design as a method of collecting information by administering a questionnaire to sample of individuals. Descriptive studies deal with the questions of who, what, when, where and how. This design assisted the researcher to obtain information concerning the phenomena by drawing conclusions from the facts that were discovered.

3.2 Target Population
The target population was staff members working in different Ministries in the County. The target population was divided into 4 homogeneous subgroups, namely Finance and Accounting, Human Resource, Procurement and ICT Department. These departments handle much of the County finances. The breakdown is as shown in Table 3.1.

Table 3.1: List of Target Population of the study

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Target Population</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Accounting</td>
<td>58</td>
<td>39</td>
</tr>
<tr>
<td>Human resource and administration</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Procurement</td>
<td>40</td>
<td>27</td>
</tr>
<tr>
<td>ICT department</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>148</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: (HRM Kiambu County, 2017)

3.3 Sample and Sampling Technique
Stratified random sampling was used, where the respondents were grouped into different stratus so as to give results with accuracy (Field, 2005). This then followed the random selection of subjects from each stratum.
Table 3.2 List of Sample Size

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Target Population</th>
<th>Sample Percentage %</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Accounting</td>
<td>58</td>
<td>50%</td>
<td>29</td>
</tr>
<tr>
<td>Human resource and administration</td>
<td>30</td>
<td>50%</td>
<td>15</td>
</tr>
<tr>
<td>Procurement</td>
<td>40</td>
<td>50%</td>
<td>20</td>
</tr>
<tr>
<td>ICT department</td>
<td>20</td>
<td>50%</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>148</strong></td>
<td><strong>50%</strong></td>
<td><strong>74</strong></td>
</tr>
</tbody>
</table>

Stratified random sampling method was used in order to give equal chances to each member of staff participating in the study. The study considered 50% of the population. According to Cooper and Schindler (2003) a representative sample represents at least 10% of the population. Therefore, for purposes of statistical representation, 50% was considered as a significant representation.

3.4 Instruments

The study generally involves primary data sources. The primary data was collected by use of structured & semi-structured questionnaires, which will contain open and closed ended questions. The questionnaires were administered to the selected members of staff in the four departments of Kiambu County. The researcher settled on using questionnaires because, they cover a wide area at the same time with less pressure on the respondents.

The questionnaire in this study is outlined in two sections. The initial part includes contain both demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part was devoted to the identification of internal control systems on the detection and prevention of frauds where the four variables of the study will be put into focus.

3.5 Pilot Study

The researcher carried out a pilot study to pretest and validates the questionnaire. According to Cooper and Schindler (2008), the pilot group can range from 25 to 100 subjects depending on the method to be tested though no need for statistical selection. This pilot study involved 10
respondents working with Kiambu County Government. The respondents were selected as statistical conditions are not of need in the pilot study (Cooper and Schindler, 2008).

3.5.1 Validity

According to Mugenda & Mugenda (2003), the usual procedure in assessing validity of content measure is to use a professional or expert in a particular field. In order to ensure content validity, the questionnaires consisted of carefully constructed questions to avoid ambiguity and facilitated answering of all the questions. The study supervisors were consulted to give input and approval of the research questionnaire. The instruments were presented to an officer at Kiambu County who is an expert in fraud prevention who reviewed and gave feedback on content validity.

3.5.2 Reliability Test

Reliability is a measure of extent by which a research instrument brings about consistent results following repeated trials (Mugenda & Mugenda, 2003). Bowling (2002), notes that during questionnaire design, the interviewer should aim to clarify any inconsistencies or conflicting responses with the participant or group. To ensure reliability of the research instruments, internal consistency of the data was determined through administration of the instruments, to a sample, similar to the actual population and identify inconsistencies and then corrects the instrument before the actual study.

3.6 Data Collection Procedure

Prior to data collection, the researcher completed the research proposal by defending it before a panel of supervisors in order to get permission for data collection from the University. The proposal was shared with the National Council of Science, Technology and Innovation for data collection permit. Further, permission from Kiambu County management was sought as well as seeking informed consent from individual respondents. Data was collected in a single phase through the drop and pick method. This helped in answering research questions as framed in the questionnaire. Self-administered questionnaires were used in collecting data from selected Kiambu County staff. The researcher individually collected all the required data.
3.7 Data Analysis and Presentation
Before processing the responses, the completed questionnaires were edited for completeness and consistency by the researcher. The altered data was analyzed using SPSS. Each enquiry on the questionnaire was shortened and entered into the software in a format that is understandable, followed by coding the answers that the respondent has given. Numbers were given to each question and responses were formatted to allow results. The information was presented in form of tables, charts, frequencies, percentages, mean and standard deviations. Open ended questions were analyzed via content analysis and output presented in composition frame.

3.8 Ethical Considerations
The researcher sourced for a letter of introduction from the University and an authorization letter from National Commission for Science and Technology and Innovation for conducting the study before leaving on information gathering. The researcher fully explained the research in advance in order to obtain the informed consent. After the research, the researcher also briefed the participants afterwards in case there were some participants who were affected psychologically.

The researcher obtained informed consent from the participants and ensured they participate voluntarily. While carrying out the research, the researcher was sensitive at all times to ethical issues such as confidentiality and privacy of participants. The researcher ensured this privilege is not abused and that the participants understood that their responses would be used for the purposes of research and nothing else.

Finally, ethical principle that was invoked in research with human subjects is justice, which demands for an equal selection of participants. Further the researcher avoided participating populations that may be unfairly forced into participating e.g. prisoners and institutionalized children. A principle of justice was observed by selecting participants from the general population.

3.9 Chapter Summary
This section describes the methodology used in obtaining data. It also describes the research design, target population, sample size, sampling procedures, instrumentation, data collection methods, data analysis and presentation.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATIONS AND PRESENTATIONS

4.0 Introduction
This chapter discusses analysis, interpretation and presentation of the findings obtained from the field. The general objective of this study was to analyze the impacts of internal control systems on the detection and prevention of frauds in County Governments. A case of Kiambu County Government. Further the study sought to; establish the impacts of control environment and activities and also to assess the role of risk assessment in detection and prevention of frauds in County Government. Additionally, the study sought to analyze the influence of information flow and to establish the effects of monitoring and evaluation on detection and prevention of frauds in County Government in Kenya. Data will have been presented in form of tables, charts, frequencies, percentages, mean and standard deviations.

4.1 Presentation of Research Findings
This section entails the study findings, the findings are as presented in each of the category.

4.1.1 Response Rate
This study research targeted 74 members of staff working in different Ministries in the County. The respondents in the study were divided into 4 homogeneous subgroups, namely Finance and Accounting, Human Resource, Procurement and ICT Department. Out of the 74 respondents who were involved 71 responses were obtained back giving a response rate of 95.9%.

4.1.2 Respondent Gender
The respondents were asked to indicate the genders. The study findings were as presented in the table 4.3 and figure 4.1

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>42</td>
<td>59.2</td>
</tr>
<tr>
<td>Female</td>
<td>29</td>
<td>40.8</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
</tr>
</tbody>
</table>
As was shown in the table 4.3 & figure 4.1, the study showed that 59.3% of the respondents indicated that they were males whereas 40.8% of the respondents indicated that they were females. Thus, the study indicates that both genders were involved in the study research but majority of the respondents were males and hence the study was not gender biased.

### 4.1.3 Age in Years

Respondents were asked to indicate their respective ages. The study findings were as presented in the table 4.4 and figure 4.2.

#### Table 4.4: Age in Years

<table>
<thead>
<tr>
<th>Age in Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>4</td>
<td>5.6</td>
</tr>
<tr>
<td>26-35</td>
<td>13</td>
<td>18.3</td>
</tr>
<tr>
<td>36-45</td>
<td>38</td>
<td>53.5</td>
</tr>
<tr>
<td>46-50</td>
<td>10</td>
<td>14.1</td>
</tr>
<tr>
<td>Above 55</td>
<td>6</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Figure 4.2: Age in Years

As was shown in the table 4.4 and figure 4.2, the study indicated that 53.5% of the respondents were aged between 36 to 45 years, 18.3% of the respondents were aged between 26 to 35 years, 14.1% were aged between 46 to 50 years, 8.5% were aged above 55 years and 5.6% of the respondents were aged between 18 to 25 years. Thus, the study shows that a majority of respondents involved in the study were aged between 36 to 45 years. The study further involved respondents from all age brackets.

4.1.4 Highest Level of Education

The respondents were requested to indicate the highest education level. The study findings were as represented in the table 4.5 and the figure 4.3

Table 4.5: Highest Level of Education

<table>
<thead>
<tr>
<th>Highest level of education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>13</td>
<td>18.3</td>
</tr>
<tr>
<td>College</td>
<td>33</td>
<td>46.5</td>
</tr>
<tr>
<td>University</td>
<td>25</td>
<td>35.2</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
</tr>
</tbody>
</table>
As was shown in the table 4.5 and figure 4.3, the study shows that 46.5% of the respondents had college education as the highest education they had attained, 35.2% indicated that they had university education as their highest level of education qualification and 18.3% indicated that they had attained a secondary certificate as the highest level of education. Thus, the study shows that most of the respondents had attained college education. Thus, the respondents involved in the study were well educated thus reliable to give credible information regarding the study. The respondents were requested to indicate the departments they were positioned. The study indicated that respondents were drawn from Finance and Accounting, Human Resource, Procurement and ICT Departments in the county.

4.1.5 Period of Service
The respondents were requested to indicate the period that they had been working in their county departments. The study findings were as shown in the table 4.6 and the figure 4.4

Table 4.6: Period of Service

<table>
<thead>
<tr>
<th>Period in years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>8</td>
<td>11.3</td>
</tr>
<tr>
<td>5-10 years</td>
<td>26</td>
<td>36.6</td>
</tr>
<tr>
<td>10-15 years</td>
<td>21</td>
<td>29.6</td>
</tr>
<tr>
<td>Over 15 year</td>
<td>16</td>
<td>22.5</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
</tr>
</tbody>
</table>
As was shown in the table 4.6 and figure 4.4, the study indicated that 36.6% of the respondents showed that they had been working in the county for 5 to 10 years, 29.6% showed that they had been working for 10 to 15 years, 22.5% showed that they had been working for a period exceeding 15 years and 11.3% indicated to have been working for a period of 1 to 5 years. Thus, this study involved respondents who were experienced in their work thus were well positioned to give viable information for the study.

4.2 Control Activities and Environment
4.2.1 Major Internal Control Systems
The respondents were requested to indicate the major internal mechanism systems in place to detect and prevent frauds in their county. Majority of respondents indicated that in the county there are activities that provide evidence that an activity has occurred and this includes analysis, reconciliations, and reviews. The respondents also indicated that there are provisions of authorizations in the form of expenditures to be in accordance to the approved budget. Respondents indicated that budget expenditure involve questioning of unusual items, justification of the transaction and review of source documents. Additionally, majority of the respondents indicated that the county administration conduct the processes of authorization and approval procedures, segregation of duties, controls over access to assets and records, verifications, reconciliations, audit of operating performance, survey of work operations and activities, and supervision.
4.2.2 Effectiveness of the Major Internal Control Systems

The respondents were asked to indicate how effective the major internal control systems were. The study findings were as presented in the table 4.7 and the figure 4.5

Table 4.7: Effectiveness of the Major Internal Control Systems

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>19</td>
<td>26.8</td>
</tr>
<tr>
<td>Effective</td>
<td>34</td>
<td>47.9</td>
</tr>
<tr>
<td>Not effective at all</td>
<td>18</td>
<td>25.4</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
</tr>
</tbody>
</table>

![Figure 4.5: Effectiveness of the Major Internal Control Systems](image)

As was shown in the table 4.7 and figure 4.5, the study showed that 47.9% of the respondents outlined that the major internal control systems were effective, 26.8% indicated that the major internal control systems were very effective and 25.4% indicated that major internal control systems were not effective at all. Thus, the study indicates that most of the respondents outlined that major internal controls would be rated as being effective but also not effective at all.

4.2.3 Areas of Urgent Changes on Internal Control System

The respondents were asked to indicate the areas on internal control system which there was need for urgent change in the county. Most of the respondents indicated that there is need to adjust the control activities to make them appropriate and ensure that they function consistently
in accordance to the time lay out, and be cost effective, comprehensive, reasonable, and relate in
direct terms to the control objectives.

**4.2.4 Agreement on Statements Relating to Control Environment**
The respondents were asked to indicate their level of agreement on statements relating to control
environment. A scale whereby 5- strongly agrees, 4- agree, 3- Neutral 2- Disagree, 1 – strongly
disagree was used. This indicates that the higher the mean the higher the respondents level of
agreement about a statement. The study findings were as outlined in the table 4.8

**Table 4.8: Agreement on Statements Relating to Control Environment**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff have good working relationships between themselves</td>
<td>4.014</td>
<td>0.960</td>
</tr>
<tr>
<td>Staff is committed to their jobs</td>
<td>3.732</td>
<td>0.768</td>
</tr>
<tr>
<td>All jobs are given on competency basis</td>
<td>3.986</td>
<td>0.794</td>
</tr>
<tr>
<td>All workers have work schedules hence no job conflicts</td>
<td>4.254</td>
<td>1.059</td>
</tr>
<tr>
<td>All jobs are standardized</td>
<td>3.845</td>
<td>0.694</td>
</tr>
<tr>
<td>All the duties are performed according to the approved standards</td>
<td>4.099</td>
<td>0.936</td>
</tr>
<tr>
<td>The work structure is flexible that it allows staff to go on leave in the month of their choice without pressure</td>
<td>4.014</td>
<td>0.849</td>
</tr>
<tr>
<td>The hiring process for contract staff is transparent</td>
<td>3.859</td>
<td>0.709</td>
</tr>
<tr>
<td>All employees are treated equally</td>
<td>3.662</td>
<td>0.767</td>
</tr>
<tr>
<td>There is a mechanism to monitor regular attendance of staff</td>
<td>4.211</td>
<td>1.129</td>
</tr>
<tr>
<td>Activities are performed in an atmosphere of creativity and innovation</td>
<td>3.873</td>
<td>0.737</td>
</tr>
</tbody>
</table>

As was shown in the table 4.8 most of the respondents agreed that; all workers have work
schedules hence no job conflicts as was shown by a mean of 4.254 and standard deviation of
1.059, also that there is a mechanism to monitor regular attendance of staff as was shown by a
mean of 4.211 and a standard deviation of 1.129. Additionally, the respondents agreed that all
the duties are performed according to the approved standards as was indicated by a mean of
4.099 and a standard deviation of 0.936, also that the work structure is flexible that it allows staff
to go on leave in the month of their choice without pressure this was shown by a mean of 4.014
and a standard deviation of 0.849. Further, as was indicated by a mean of 4.014 and a standard
deviation of 0.960 respondents agreed that staff have good working relationships between themselves.

Also, the respondents agreed that all jobs are given on competency basis this was shown by a mean of 3.986 and a standard deviation of 0.794. Also, as was shown by a mean of 3.873 and a standard deviation of 0.737 respondents agreed that activities are performed in an atmosphere of creativity and innovation. Also, the study indicated that the hiring process for contract staff is transparent this was shown by a mean of 3.859 and a standard deviation of 0.709. Additionally, the study indicated that all jobs are standardized this was shown by a mean of 3.845 and a standard deviation of 0.694. The study also indicated that staff is committed to their jobs as was shown by a mean of 3.732 and a standard deviation of 0.768. Further as was shown by the mean of 3.662, and a standard deviation of 0.767 respondents agreed that all employees are treated equally.

The study discoveries agree with those of COSO (2004). The study attests that the control exercises happen throughout the organization, at all levels and functions. They include a range of preventive and detective activities including authorization and approval procedures, separation of duties (authorizing, processing, procuring recording, receiving), limit access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations and activities, and supervision among others. Also, the study findings agree with those of (Steeves, 2004). He asserted that internal control activities comprise; proper authorization, segregation of duties, sufficient documentation, and physical control of assets

4.3 Risk Assessment
The respondents were requested to outline their status of agreement on the statements relating to risk assessment. A scale whereby 5- strongly agree, 4- agree, 3- Neutral 2- Disagree, 1 – strongly disagree was used. This indicates that the higher the mean, the higher the respondents level of agreement about a statement. The study outcomes were presented in the table 4.9
Table 4.9: Statements Relating to Risk Assessment

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are mechanisms in place to identify and react to changes that can</td>
<td>3.831</td>
<td>0.768</td>
</tr>
<tr>
<td>have dramatic effects on the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controls exist for approving decisions relating to financing alternatives</td>
<td>4.042</td>
<td>0.912</td>
</tr>
<tr>
<td>and accounting principles, practices and methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risks are assessed in relation to changes in the operational environment</td>
<td>4.056</td>
<td>0.992</td>
</tr>
<tr>
<td>Changes of new staff is clearly examined for the risks it may cause</td>
<td>3.972</td>
<td>0.797</td>
</tr>
<tr>
<td>Organizational restructuring brings limited risks to the organization</td>
<td>3.676</td>
<td>0.707</td>
</tr>
<tr>
<td>New services possesses less risks to the organization</td>
<td>3.789</td>
<td>0.854</td>
</tr>
<tr>
<td>The reporting mechanism in place is less risky to the organization</td>
<td>4.070</td>
<td>0.843</td>
</tr>
<tr>
<td>Communication channels is in place for changes in service delivery</td>
<td>4.183</td>
<td>1.003</td>
</tr>
<tr>
<td>Internal audit has appropriate controls for service delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The organization has competent and knowledgeable personnel</td>
<td>4.014</td>
<td>0.825</td>
</tr>
<tr>
<td>This organization is kin in identifying risks</td>
<td>3.930</td>
<td>1.019</td>
</tr>
<tr>
<td>All risks facing this organization are measured</td>
<td>4.028</td>
<td>1.253</td>
</tr>
</tbody>
</table>

As was shown in the table 4.9, the study indicated that most respondents agreed to; internal audit has appropriate controls for service delivery this was shown by a mean of 4.183 and a standard deviation of 1.003. Additionally, the study indicated that the reporting mechanism in place is less risky to the organization Communication channels is in place for changes in service delivery this was shown the mean of 4.070 and the standard deviation of 0.843. Also, respondents agreed that risks are assessed in relation to changes in the operational environment this was shown by a mean of 4.056 and a standard deviation of 0.992.

Additionally, the respondents agreed to the fact that controls exist for approving decisions, related to financing alternatives and accounting principles, practices and methods this was illustrated by a mean of 4.042 and the standard deviation of 0.912. Also, respondents indicated that all risks facing the county are measured this was shown by a mean of 4.028 and a standard deviation of 1.253. As was indicated by a mean of 4.014 and a standard deviation of 0.825 respondents agreed to the fact that the organization has competent and knowledgeable personnel.
The study indicated that changes of new staff is clearly examined for the risks it may cause this was shown by a mean of 3.972 and a standard deviation of 0.797. Also, that the county is kin in identifying risks as was shown by a mean of 3.930 and standard deviation of 1.019.

Further the respondents agreed that there are mechanisms in place to identify and react to changes that can have dramatic effects on the organization this was shown by a mean of 3.831 and a standard deviation of 0.768. Also, that new services posses less risks to the organization as was indicated by a mean of 3.789 and a standard deviation of 0.854. Additionally, respondents agreed that organizational restructuring brings limited risks to the organization as was indicated by a mean of 3.676 and a mean of 0.707. The study findings agree with those of Groth (2000). He asserted that identification of risk is important in achieving organizational objectives because an effective internal control system, regardless how well conceived, and operated, could only provide a reasonable- not absolute-assurance to management. Also, the findings agree with those of O’Leary (2006). He indicated that identification of risks as a challenge to some organizations. The identification of risks and the knowledge applied to counter them can be directly linked to effective internal control system to counter fraud.

4.4 Information and Communication

The respondents were asked to indicate how effective was the information & communication procedures in their organization. The findings of the study were as presented in the table 4.10 and figure 4.6

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>23</td>
<td>32.4</td>
</tr>
<tr>
<td>Effective</td>
<td>34</td>
<td>47.9</td>
</tr>
<tr>
<td>Not effective at all</td>
<td>14</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Figure 4.6: Effectiveness of Information and Communication Systems

As was shown in the table 4.10 and figure 4.6 the study indicated that 47.9% of the respondents indicated that effectiveness of information and communication systems in the county were effective, 32.4% indicated that the system was very effective and 19.7% indicated that the system was not effective at all. This shows that the information and communication systems in the county were effective as was shown by a majority of the respondents.

4.4.1 Areas in the Communication Channel that Need Urgent Changes

The respondents were requested to indicate the areas in their organization where communication channel need urgent changes. Most of the respondents indicated that there need to be changes on the formal and informal channels information flows. Also, the respondents indicated that the two-way form of information flow should be made to achieve the desired organizational performance because both information flows facilitate the implementation of planned activities in the organization.

4.4.2 Statements Relating to Information Communication

The respondents were asked to indicate their degree of agreement on statements relating to information communication. A scale whereby 5- strongly agree, 4- agree, 3- Neutral 2- Disagree, 1–strongly disagree was used. This shows that the higher the mean, the higher the respondents level of agreement about a statement. The study finding was as presented in the table 4.11
As was shown in the table 4.11 the study indicated that majority of the respondents agreed that staff have information on internal controls and accountability as was shown by a mean of 4.324 and a standard deviation of 1.086, also that the organization has clear channels of communications as was shown by a mean of 4.282 and a standard deviation of 1.097. Additionally, the respondents indicated that they agreed that all relevant information is communicated to staff this was shown by a mean of 4.183 and a standard deviation of 0.983. Further the respondents agreed that all operational information is given to staff in time as was shown by a mean of 4.141 and a standard deviation of 0.984. Further the study indicated that there is good communication between departments as was shown by a mean of 3.986 and a standard deviation of 0.810.

The study also indicated that information flows freely without any interference as was shown by a mean of 3.972 and a standard deviation of 0.842. Respondents also indicated that staff have access to information as was shown by a mean of 3.944 and a standard deviation of 0.892. The study also indicated the Director is the spokesperson for the organization as was shown by a
mean of 3.915 and a standard deviation of 0.766 also that all channels of communication are utilized by staff as was shown by a mean of 3.901 and a standard deviation of 0.835. Additionally, the study indicated that the current information flow is quick and effective. Information flow delays accountability as was shown by a mean of 3.859 and a standard deviation of 0.730.

The findings agree with those of Sudha (2009). He asserted that lateral information flow is needed to coordinate tasks, share information, resolve conflicts and solve problems. Also, he asserted that poor lateral communication breeds malicious messages, rumors and confusion that in turn would hurt employees and the overall organizational performance. Also, the findings agree with those of Walker, Shenkir & Burton, 2003). They agreed that internal controls also cover the aspects of information & communication systems or processes that agree to the identification, capture, and exchange of information in a form and time frame that enables individuals to carry out their responsibilities.

4.5 Monitoring and Evaluation
The respondents were requested to indicate their level of agreement on statements relating to monitoring and evaluation. The study findings were as presented in the table 4.12

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring strategies are used at any time during monitoring process</td>
<td>3.944</td>
<td>0.809</td>
</tr>
<tr>
<td>The organization projects are monitored and reported as required of their monitoring and evaluation criteria</td>
<td>4.296</td>
<td>1.071</td>
</tr>
<tr>
<td>There is a reporting mechanism for all activities of this organization</td>
<td>4.225</td>
<td>1.010</td>
</tr>
<tr>
<td>Quality assurance is adhered to for all organization projects</td>
<td>4.085</td>
<td>0.867</td>
</tr>
<tr>
<td>Internal audit is independent of management influence</td>
<td>4.042</td>
<td>0.957</td>
</tr>
<tr>
<td>External auditors can rely on the work of internal auditors when auditing</td>
<td>4.099</td>
<td>1.008</td>
</tr>
<tr>
<td>Separation of duties or mitigating controls exist within transaction processing, authorization custody, and recording functions</td>
<td>4.155</td>
<td>1.087</td>
</tr>
<tr>
<td>Separation of duties occurs between procurement, account payables and disbursements.</td>
<td>3.648</td>
<td>1.118</td>
</tr>
</tbody>
</table>
As was shown in the table 4.12, most of the respondents agreed that; the organization projects are monitored and reported as required of their monitoring and evaluation criteria as was shown by a mean of 4.296 and a standard deviation of 1.071. Also, the respondents agreed that there is a reporting mechanism for all activities of this organization as was shown by a mean of 4.225 and a standard deviation of 1.010. Also, respondents agreed that segregation of duties or mitigating controls exist within transaction processing, authorization custody, and recording functions as was shown by a mean of 4.155 and a standard deviation of 1.087.

Additionally, respondents agreed that external auditors can rely on the work of internal auditors when auditing as was shown by a mean of 4.099 and a standard deviation of 1.008, also that quality assurance is adhered to for all organization projects as was shown by a mean of 4.085 and a standard deviation of 0.867. Further respondents agreed that internal audit is independent of management influence as was indicated by a mean of 4.042 and a standard deviation of 0.957. Also, the study indicated that monitoring strategies are used at any time during monitoring process as was shown by a mean of 3.944 and a standard deviation of 0.809. In addition, the respondents agreed that Separation of duties exists between procurement, account payables and disbursements this was shown by a mean of 3.648 and a standard deviation of 1.118.

The study findings agree with those of Walker, Shenkir & Buton (2003). They asserted that the monitoring processes are used in assessing the value of internal control performance over time. Also, the findings agree with those of Athony (2004), he contended that observing is intended to decide if internal control is satisfactorily composed, legitimately executed, and successful. In the event that the interior control is enough planned and legitimately executed if all the five control segments (control condition, control exercises, hazard evaluation, data and correspondence and observing) are available and working as intended to be. Interior control is compelling if the administration and other intrigued partners have sensible affirmation that they comprehend the degree to which operational targets are accomplished.

**4.6 Limitations of the Study**

The limitations of the research were as a result of the challenges that the researcher encountered while conducting the study research. The researcher encountered unwillingness by respondents
to reveal information regarding the study as the researcher requested for the study purpose. To counter this, the researcher assured the respondents of their confidentiality for any information that they gave. The researcher further affirmed to the respondents that the study was purely for academic endeavor and therefore the information given would not be kept out from unwanted third parties.

4.7 Chapter Summary
This chapter presented the following sections, the respondents’ response rate, their general information and the study objectives. These were to establish the impacts of control environment and activities and to assess the role of risk assessment on detection and prevention of frauds in County Government in Kenya. Also, the study sought to analyze the influence of information flow and to establish the effects of monitoring and evaluation in detection and prevention of frauds in County Government in Kenya. The next chapter will include the summary of outcomes, recommendations and conclusion.
CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Following analysis and data collection, the following discussions, conclusion and recommendations were made. The responses were based on the specific objectives of the study. The study sought to analyze the impacts of internal control systems on the detection and prevention of frauds in County Governments. A case of Kiambu County Government. Further the study sought to; establish the impacts of control environment and activities and also to assess the role of risk assessment on detection and prevention of frauds in County Government. Additionally, the study sought to analyze the influence of information flow and to establish the effects of monitoring and evaluation in detection and prevention of frauds in County Government in Kenya.

5.1 Summary of Findings

This section entails the summary of the study objectives.

5.1.1 Control Environment and Control activities
The study revealed that major internal control systems in place to detect and prevent frauds in their county, are activities that provide evidence that an activity has occurred and this includes analysis, reconciliations, and reviews. The study also indicated that there are provisions of authorizations in the form of expenditures to be in accordance to the approved budget. Further the study revealed that budget expenditure involves questioning of unusual items, justification of the transaction and review of source documents. Additionally, the study indicated that the county administration conducts the processes of authorization and approval procedures, separation of duties, controls over access to assets and records, verifications, reconciliations, reviews of operating performance, reviews of activities and activities, and supervision.

The study also indicated that major internal controls would be rated as being effective. The study indicated that there was need for urgent change in the county in the control activities to make them appropriate and ensure that they function consistently in accordance to the plan, over the
period, and be cost effective, comprehensive, reasonable, and in direct relation to its control objectives. Additionally, the study revealed that; all workers have work schedules hence no job conflicts, also there is a mechanism to monitor regular attendance of staff. Also, the study revealed that all the duties are performed according to the approved standards also that the work structure is flexible that it allows staff to go on leave in the month of their choice without pressure. Further that staff have good working relationships between themselves and also that all jobs are given on competency basis.

In addition, the study revealed that activities are performed in an atmosphere of creativity and innovation also that the hiring process for contract staff is transparent. Additionally, the study revealed that all jobs are standardized. The study also indicated that staff is committed to their jobs also that all employees are treated equally. The findings are in line with Anthony (2014) noted that the control environment paves way for an organization, influencing the consciousness of its people. It is the basis for all the other components of internal controls. The findings are in line with Lower (2013), an effective control environment refers to a point where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way

5.1.2 Risk Assessment
On risk assessment, the study revealed that; internal audit has appropriate controls for service delivery also that the reporting mechanism in place is less risky to the organization Communication channels is in place for changes in service delivery this. Also, the study revealed that risks are assessed in relation to changes in the operational environment. Also, the study revealed that controls are in place for the purpose of approving decisions relating to financing alternatives and accounting principles, practices and methods. Additionally, the study revealed that all risks facing the county are measured. Also, the study revealed that the organization has competent and knowledgeable personnel.

Additionally, the study unveiled that changes of new staff is clearly examined for the risks it may cause. Also, that the county is kin in identifying risks. Further there are mechanisms meant to identify and react to changes that can have negative effects on an organization. Also, that new services posses less risks to the organization. Additionally, the study revealed that organizational
Restructuring brings limited risks to the organization. The findings are in line with COSO (2014) that it is important to document fraud detection strategies including the individuals or teams responsible for each task.

5.1.3 Information and Communication
On this objective, the study revealed that the information and communication systems in the county were effective. The study revealed that there need to be changes on the formal and informal channels information flows. Also, the study revealed that the two-way form of information flow should be made to achieve the desired organizational performance because both information flows facilitate the implementation of planned activities in the organization. Further the study revealed that; staff have information on internal controls and accountability, also that the organization has clear channels of communications. Additionally, the study revealed that all relevant information is communicated to staff.

Further the study indicated that all operational information is given to staff in time. Also, the study revealed that there is good communication between departments. The findings are in line with the advocacy by Semanda (2011) that information that could lead to detection and prevention of fraud is indeed communicated to staff. The findings are in line with research by Naidoo (2015), the top down channel mostly occurs in an impersonal nature leading to information flow ambiguity, clear message delivery failure to subordinates contrary to what is intended by management.

5.1.4 Monitoring And Evaluation
On monitoring and evaluation, the study revealed that; the organization projects are monitored and reported as required of their monitoring and evaluation criteria. Also, the study revealed that there is a reporting mechanism for all activities of the organization. Also, that that separation of duties or mitigating controls exist within transaction processing, authorization custody, and recording functions. The findings are in line with research by Magala (2011), It is thus of value to over time monitor and update fraud detection strategies to ensure they are effective.

Additionally, the study revealed that external auditors can depend upon the work of internal auditors when auditing, also that quality assurance is adhered to for all organization projects. Further the study revealed that internal audit is independent of management influence also that
monitoring strategies are used at any time during monitoring process. In addition, the study revealed that separation of duties exists between procurement, account payables and disbursements. The findings are in line with Lary (2012) who viewed monitoring as needed to ensure that planned administrative, operational and financial tasks and activities are take place in a timely and proper manner such that set internal control objectives and organizational performance are achieved.

5.2 Conclusion
On the control activities and the control environment the study revealed that staff have good working relationships between themselves and also that all jobs are given on competency basis. Further the study revealed that staff are aware of the penalties for breaking internal control procedures and also that all payments are authorized by responsible officer before payment.

Regarding the risk assessment the study revealed that the county has mean to identify and respond to changes that can have dramatic effects on the organization also the study revealed that risks are assessed in relation to changes in the operational environment. Additionally, the study found out that internal audit has appropriate controls for service delivery.

With respect to information and communication the study revealed that staff have information on internal controls and accountability and also that all relevant information is communicated to staff. The study research also indicated that operational information is given to staff in time and that there are clear channels of communications.

On monitoring and evaluation, the study revealed that projects are monitored and reported as required of their monitoring and evaluation criteria, also the study revealed that quality assurance is adhered to for all organization projects. Further the study revealed that external auditors can rely on the works of internal auditors when auditing.

In conclusion; control environment and activities, risk assessment, information flow, monitoring & evaluation influence evaluation on detection and prevention of frauds in County Government in Kenya.
5.3 **Recommendations**

This study therefore makes the following recommendations;

The County Governments to set a fitting tone at the best, the upper administration ought to support moral conduct by means of straightforward means. Cases ought to incorporate a morals approach, statement of purpose, or representative handbook, all of which ought to emphatically strengthen the significance of moral conduct. Such interchanges ought to likewise stretch the way that deceptive conduct won't go on without serious consequences.

County Governments need to set risk assessment procedures. So as to survey misrepresentation, dangers should be possible by conceptualizing ways which the association could be cheated. Inward control evaluations may likewise be performed to survey extortion hazard. County Governments need to make reporting and investigation processes. In attempting to anticipate future cheats, it is of significance to have a proper restorative activity for a misrepresentation which has happened.

The administration of County Governments in Kenya ought to consider isolation of obligations including the guardianship of advantages, approval of exchanges influencing those benefits and recording/detailing of related exchanges. The fundamental hypothesis of partition of duties is that a solitary worker ought not be in a position to both submit and then cover fraudulent exercises.

There is requirement for County Governments in Kenya to conduct month to month Reconciliation of ledgers (bank compromises, trivial money, and so on.) And bank explanations. Bank compromises will be canny into the contrasts between an organization’s cash balance per the balance sheet and per the bank statement, while also proving the completeness and accuracy of the data recorded in the organization’s cash ledger.

There is have to review and approval of cost repayments by supervisors and administration in a timely manner. The administration require keep up a proactive way to deal with distinguishing
vulnerabilities one of a kind to their association and execute successful and proficient inward controls to help avoid and recognize deceitful exercises. The administration ought to show by example and worry to the execution of sound internal controls that will help the administration in setting up a moral authoritative culture.

5.4 Areas of Further Studies
This study main aim was to analyze the impacts of internal control systems on the detection and prevention of frauds in County Governments. A case of Kiambu County Government. The study recommends that further studies should be conducted this time investigating the channels of information flow on detection and prevention of frauds in County Government in Kenya.
REFERENCES


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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION TO RESPONDENTS

County Government of Kiambu
Po Box 2344-00900
KIAMBU.

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

In order to fulfill my program requirements, I am undertaking a research on analyze the internal control systems on the detection and prevention of frauds in Kiambu County. Therefore, I kindly request you to assist me to collect data by filling out the accompanying questionnaire.

The information provided will be used exclusively for academic purposes and will be held in strict confidence. Thank you.

Yours faithfully,

Julia Wanjiku Wangombe
APPENDIX II: QUESTIONNAIRE

1. Please feel free to give any relevant information.

Questionnaire Number: ____________________________ Date ________________

SECTION A: BIODATA

2. Gender   (a) Male [ ]   (b) Female [ ]

3. Age in years
18-25   [ ]
26-35   [ ]
36-45   [ ]
46-50   [ ]
Above 55 [ ]

4. What is your highest level of education?
   (a) Primary       [ ]
   (b) Secondary    [ ]
   (c) College      [ ]
   (d) University   [ ]

5. State the department you are positioned in the organisations

------------------------------------------------------------------------------------------------------------------------------------

6. For how long have you been in this organization?
   1-5 years                  □
   5-10 years                □
   10-15 years               □
   Over 15 years             □
CONTROL ENVIRONMENT

7. Which are the major internal control systems in place to detect and prevent frauds in your organisation?


8. How effective are these systems

Very effective [  ]
Effective [  ]
Not effective at all [  ]

9. In which areas on internal control system would you think need urgent changes in your organisation?


10. To what extent do you tend to agree with the following statement relating to control environment? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff have good working relationships between themselves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff is committed to their jobs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All jobs are given on competency basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All workers have work schedules hence no job conflicts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All jobs are standardized</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All the duties are performed according to the approved standards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The work structure is flexible that it allows staff to go on leave in the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>month of their choice without pressure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hiring process for contract staff is transparent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All employees are treated equally</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a mechanism to monitor regular attendance of staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities are performed in an atmosphere of creativity and innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CONTROL ACTIVITIES

11. To what extent do you agree with the following statement relating to control activities? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffs are given up to date internal control manuals for reference purposes</td>
<td></td>
<td></td>
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<td>Staffs are aware of the penalties for breaking internal control procedures</td>
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<td>Accounts are reconciled on monthly basis to detect errors and fraud</td>
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<tr>
<td>All payments are authorized by responsible officer before payment</td>
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<td>All payment procedures are followed for all transactions</td>
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<tr>
<td>All financial transactions are recorded in vouchers for future references</td>
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<tr>
<td>This organization is frequently audited</td>
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<td>The organization has an asset register which is updated regularly</td>
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<td>All organization assets are recorded and marked</td>
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<td>The internal auditor works independently</td>
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<td>All departments have clear levels of authority</td>
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12. Does the existing control activities any role in frauds prevention in the organisation?

Yes [ ] No [ ]

13. In your own opinion, kindly describe the best control activities which can ease fraud detection in your organisation.

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Organizational restructuring brings limited risks to the organization
New services possess less risks to the organization
The reporting mechanism in place is less risky to the organization Communication channels is in place for changes in service delivery
Internal audit has appropriate controls for service delivery
The organization has competent and knowledgeable personnel
This organization is kin in identifying risks
All risks facing this organization are measured

**INFORMATION AND COMMUNICATION**

15. How effective are the information and communication systems in your organisation

Very effective [ ]
Effective [ ]
Not effective at all [ ]

16. In which areas in the communication channel you think need urgent changes in your organisation?

.................................................................
.................................................................
.................................................................

17. To what extent do you agree with the following statement relating to information communication? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

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<th>Statement</th>
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<tr>
<td>Information flows freely without any interference</td>
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<td>Staff have information on internal controls and accountability</td>
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<tr>
<td>All channels of communication are utilized by staff</td>
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<td>There is no ambiguity in information communicated</td>
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<td>All operational information is given to staff in time</td>
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<td>All relevant information is communicated to staff</td>
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<td>The organization has clear channels of communications</td>
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<td>The Director is the spokesperson for the organization</td>
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<td>There is good communication between departments</td>
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<td>Staff have access to information</td>
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<td>The current information flow is quick and effective</td>
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<td>Information flow delays accountability</td>
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MONITORING AND EVALUATION

18. To what extent do you agree with the following statement relating to monitoring and evaluation? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

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<tr>
<td>Monitoring strategies are used at any time during monitoring process</td>
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<tr>
<td>The organization projects are monitored and reported as required of their</td>
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<tr>
<td>monitoring and evaluation criteria</td>
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<td>There is a reporting mechanism for all activities of this organization</td>
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<td>Quality assurance is adhered to for all organization projects</td>
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<td>Internal audit is independent of management influence</td>
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<td>External auditors can rely on the work of internal auditors when auditing</td>
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<td>Segregation of duties or mitigating controls exist within transaction</td>
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<td>processing, authorization custody, and recording functions</td>
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<td>Separation of duties exists between procurement, account payables and</td>
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<td>disbursements.</td>
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THANK YOU FOR YOUR COOPERATION