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Effective Internal Audit Practices: Key to Strong Financial Accountability of County Governments in Kenya

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Abstract

Purpose: Financial responsibility at the devolved governments in Kenya is an issue of high concern as this is demonstrated by continuous unclean opinions of the Auditor General. In spite of the internal audit functions being established, most counties in Kenya are still being given qualified and adverse audit reports, and it makes one wonder if internal controls systems are really effective. This paper ascertained the effect of internal audit on financial accountability within County Government of Embu.

Methodology: The study employed descriptive design focusing on a sample population of 190 staff from six main departments involved in financial reporting. Primary data was collected through questionnaires. Secondary data was taken from Auditor General's office (2019–2023). Analysis used descriptive statistics and multiple linear regression. To establish relationship between variables inferential analysis were used through correlation and regressions analysis.

Findings: The correlation analysis established a positive relationship existed between internal audit activities and financial accountability of county governments in Kenya. The multiple regression model was found to be significant and all the predictors including independence assurance, control activities and risk management were found have a positive and significant effect on financial accountability of county governments in Kenya.

Unique Contribution to Theory, Practice and Policy: The study recommended for an increase internal audit department's independence, guarantee audit staff competency and adherence to control activities as well as creating a more effective risk management system. These are necessary for promoting transparency, accountable management of state finances and the restoration of public confidence.

Keywords: *Control Activities, Financial Accountability, Independent Assurance, Internal Audit, Revenue Growth, Risk Management*

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INTRODUCTION

Internal audit is a necessary role in the governance of organization, especially in the case of the state. It ensures independent and objective assurance of organizational performance with respect to risk management, control and governance. Internal Auditors Institute (IIA) suggests that it allows achieving the goals using a structured approach that is used to evaluate and optimize these processes (IIA, 2017). Regarding the county governments, internal audits are vital in guaranteeing public resources are used in a responsible manner and that they are legally used. They assess effectiveness in financial management, effectiveness in operations management, and effectiveness of internal controls (Campuswise, 2020). Proper internal audits could point out the possible risk areas, inefficiencies and non-compliance and suggest remedial actions to increase transparency and accountability.

Financial accountability is responsibility of government officials to show how the resources allocated to them are efficiently and effectively used, and to the extent required by law. It is one of the fundamental aspects of managing finances on the part of the public and it is necessary to ensure that the trust of the people is upheld (Public Finance Management Act, 2012). Financial accountability is associated with proper and prompt financial reporting, transparency in financial transactions in county governments and budgetary adherences.

Nevertheless, despite adopting multiple accountability systems, numerous county governments in Kenya, such as Embu, still cannot overcome the problem of financial mismanagement, corruption, and transparency deficiency (Macharia, 2021). The Auditor General often includes these unresolved issues in their reports, and the issues they mention frequently include lack of completion of the financial records, unauthorized spending, and the inability to act on the audit's recommendation (Auditor General Report, 2023). Ongoing problems in reaching full financial accountability also point to the necessity of a more efficient oversight and a better internal audit department (Gass and Parekh, 2024).

Internal audit's connection with financial accountability is paramount in responsible resources management of the people. Internal audits are a type of evaluation that is conducted by an independent organization to determine the financial activities of an organization and make sure that financial statements are correct, resources are optimized, and operations are conducted according to the legislation (Kinyua, 2020). Internal audits are also essential when they are done well in promoting financial accountability by highlighting weaknesses in financial controls, suggesting corrective measures, and tracking the adoption of such measures (Campuswise, 2020). This will ensure that there is no financial mismanagement and corruption hence transparency and trust among the people. Nevertheless, weak or ineffective internal audits result in poor financial accountability, which contributes to such problems as unclean audit opinions, financial mismanagement, and, finally, the loss of trust to the government institutions by the people (Alzeban & Gwilliam, 2014). The current predicaments in the county governments as demonstrated in frequent qualified and unfavourable audit opinions underscore the urgent need to enhance internal audit functions to enhance financial accountability.

The pursuit of better financial accountability has resulted in a number of legal and regulatory frameworks in Kenya such as the PFM Act, 2012, which gives legal root to the financial management practices of the national and county governments (PFM Act, 2012). Nevertheless, even with these efforts, the adoption of financial accountability measures has not been uniform in various counties. Delay in financial reporting, lack of adherence to budgetary allocations, and no action taken on audit recommendations are some of the problems that have been noted

by the Auditor General Report (Auditor General Report, 2023). Such problems are acute in such counties as Embu where the financial management problems have been a constant concern, and the concerns over the efficacy of the internal audit function have been expressed.

Statement of the Problem

Despite numerous legal frameworks and reforms designed to enhance financial accountability in Kenya, county governments still have a great deal of trouble managing the use of public resources. PFM Act, 2012 guarantees that there is efficiency and effectiveness in management of resources and the officers in charge of financial management are culpable to the people. As reported by COB (2023) on the Embu County, the county has been experiencing delays in its financial reporting as well as poor budget execution with the count of expenditure performance standing at less than 70 per cent in the fiscal year 2022/2023. The audit report (2023) of the Auditor General on the Embu County has shown that the county has unaccounted-for funds amounting to around Kshs 150 million in the fiscal year 2022/2023. This report has observed that there has been a consistent problem in the execution of audit recommendations as only 40 percent of the past audit queries have been satisfactorily addressed casting serious doubts pertaining the function's efficiency and its overall fiscal accountability processes.

The long-term character of those problems reflects the systemic issues in the financial management processes in the county, and current oversight practices might be inadequate. Kenya EACC 2019/2020 annual report indicates that 6,021 reports of economic crime, corruption and unethical behaviours were reported. The county governments such as that of Embu are very important in the economy of Kenya as they control the development projects happening within their areas and also offer vital services to the people. Good financial accountability is thus a key in ensuring that financial resources that are given to these governments are used efficiently and transparently. Although efforts have been undertaken to guarantee that this accountability is exercised, with the help of internal audit and compliance checks among others, high standards have been a big challenge. Most counties have been accused of corruption and financial mismanagement, The current issues indicate that a thorough internal audit analysis with an aim of offering an insight that may enhance financial openness and fund management in the counties of Kenya is necessary. Thus, the research on roles of internal audits in improving Embu County's financial accountability was carried out with emphasis on the independent assurance, control activities, risk management, and their effect on reduction of expenditures and financial efficiency.

Objectives of the study

- i. To assess the effect of independent assurance on financial accountability in Embu County, Kenya
- ii. To establish the effect of control activities on financial accountability in Embu County, Kenya
- iii. To determine the effect of risk management on financial accountability in Embu County, Kenya

Hypotheses of the study

HO₁: Independent assurance has no significant effect on financial accountability of Embu County, Kenya

HO₂: Control activities has no significant effect on financial accountability of Embu County, Kenya

HO₃: Risk management has no significant effect on financial accountability of Embu County, Kenya

LITERATURE REVIEW

Theoretical Review

Agency Theory

Advanced by Jensen and Meckling in 1976, the theory illustrates the kind of relationship existing between the principals (who own the resources) and the agents (managers) especially in cases where the owners of the resources are firms, whose chief purpose is their shareholders' resources optimal utilization. The theory highlights the position of the result of full knowledge and that of knowledge gap or communication gaps in economics, where there is a divergence between the actions or behavior of the agents, by reason of self-interests from the intentions of the principals, that is, the non-maximization of his wealth by the principals. This mismatch gives rise to a principal agent problem. This means the interest of the agents is put in focus above those of the principal, and, in some cases, unethical behavior is adopted. Agency Theory advocates protection of interests for both parties. For instance, incentive schemes and good governance forms of mechanisms can reduce agency loss, which is the divergence between the results obtained by the model and those shown actually resulting from the principal and agent action respectively. In this light, internal audits take the appearance of a control tool, which has the function of reducing agency costs by exposing and correcting deviations, which have tendency to reduce organization's fiscal success.

Agency theory rests upon suspicion that asymmetry of information prevails between the principals and agents which gives an opportunity for the agents to exploit their positions for personal profiteering. To minimize this risk, the principals must establish control mechanisms such as internal audits which conform the activities of the agents with the objectives envisaged by the principals. Internal audits are a valuable device in the elimination of agency costs through the discovery and correction of anomalies that would affect the financial accountability.

But agency theory has limitations as applied to the public sector. All public sector departments, such as the County Government of Embu have different objectives from Private Sector firms, which have profit maximization objectives, the objectives of the public sector organizations are wider in scope and should be to secure greater accountability, greater transparency, better utilization of resources and better service delivery. Therefore, although agency theory is a reasonable mechanism for the understanding of demand for internal controls, it is better that it is changed to bring to light the importance of the internal controls fostering public confidence and fostering ethics in public administration.

In its application in this study serve a useful purpose in contemplating the requirement of internal audits in creating greater financial accountability. The auditors who are inherently the agents of the government and stakeholders are an integral part of assuring that an organization's resources are effectively and ethically utilized, which promotes the benefit of the citizens of the county. This situation illustrates the necessity of having effective checks and balances which can best be achieved through internal audits on the activities of the officials of the counties (agents) as related to the objectives of the government and its citizens (principals).

Internal audits are not just needed for financial integrity but to instill public confidence and improved governance efficiency (Jensen & Meckling, 1976; Einstnhardt, 1989; David, 2012;

Davies, 2004; Stout, 2003; Gass & Parekh, 2024; Bejinariu, 2020; Kanini & Wandera, 2019; Ndungu, 2013). The theory is directly hinged to the variable of internal audit and this is an important pillar of financial accountability, since it aligns the actions of the county officials (agents) with the interests of the government and its citizens (principals) and thus application of the theory ensures there is alignment between the actions of the agents and the goals of the principals, thereby curtailing agents costs and enhancing financial accountability.

Fraud Triangle Theory (FTT)

Cressey (1953) first identified FTT and offers an explanation for the behavior of fraudsters. It is based on three elements: pressure, opportunity, and rationalization, which together provide a framework for the circumstances that lead to fraud. Pressure can arise from several motivators such as personal gain, immediate demands for cash, and to hide poor performance. Opportunity arises from the weakness in the controls or weaknesses in the organization. Rationalization is the last strut of the triangle and it is at this point that immoral acts are justified in the mind of the perpetrator. According to the theory, internal controls primarily mitigate fraud occurrence and personal integrity concerns are highly pertinent.

The three angles of the triangle of fraud are examined in this context with respect to the occurrence of fraud at the opportunity, pressure and justification nexus. It assumes that individuals operating under financial or performance pressures will abuse weak internal controls if they feel they can get away with it and justify their immoral acts through rationalization. The assumptions implicit in this analysis for the County Government of Embu are that public officials may commit fraud when they have sufficient pressure, there is more than one opportunity because of weakly enforced or non-existent supervision and there are sufficient rationalization bases. The theory underlines the need to heighten internal auditors' powers and governance systems within such operations to mitigate risks, hence increasing accountability for public finances and reducing the opportunities for fraud.

One drawback of this theory is that it relates to individual behavior. Although it is a good man of why individuals commit fraud, it still does not adequately cater for the systemic or structural aspects that would create a culture of fraud such as lack of required finance or lack of law enforcement. It is also based on the presumption that individuals always act on rational lines and this might not always be the case. Knowing the Fraud Triangle one can see and understand why some accounting officers find it easy to engage in fraudulent activity and escape punishment from the financial accountability of their activities (Cressey, 1953; Kenyon & Tilton, 2006; Kiragu et al., 2013; Levi, 2008; Bejinariu, 2020; Manurung & Hadian, 2013; Ngigi & Kawira, 2015).

The theory is applied to examining the variable of Fraud Prevention hence tackling the root causes of fraud whence the remedy lies in implementing strong internal controls, thus removing the opportunities for unethical behavior and changing the culture to one of integrity.

Theory of Accountability

Cressey's (1953) Fraud Triangle theory endeavors to elucidate human motivations for committing fraud. The theory proposes that there are three basic concepts which can create the environment for fraud: pressure, opportunity and rationalization. According to the theory, individuals may commit fraud under the pressure of a need for money to support their families or to hide poor job performance. The factor of opportunity, indicated as fairly strong organization controls, usually is present if fraud occurs providing a way for the fraud to be

committed, while the concept of rationalization is the means of justifying the moral question involved in fraud and getting over the moral problems involved in fraud.

A core deficiency of the accountability theory is that in organizations that are very complex, especially in public government organizations, accountability will be so diluted that it will be difficult to ascertain who will be accountable for specific actions. This recklessness will lead to an evasion of responsibility or accountability and a weakening of the relationships of oversight as there will be so many persons that can be responsible for policy decision making. Furthermore, the enforcement of the accountability devices will be determined by how effectively they are enforced. Such effectiveness can be undermined by political interference or lack of resources which will further reduce their effectiveness. The use of the theory of the fraud triangle highlights how the internal controls are powerful which are the instruments of management to reduce the temptations or the chance of committing fraud and thus achieve higher accountability in all financial transactions of the organization. More importantly, they stress the need for an ethical atmosphere within the organization that does not give way to rationalizations that would follow a successful fraudulent transaction.

Nevertheless, the fact that the fraud triangle offers the framework of comprehending the psychological factors affecting fraud implies that a multi-dimensional program is the only way to manage fraud. Such a program should aim at the strengthening of internal control measures to limit the opportunity for fraud, the imposition of remedial measures to relieve the pressures of the fraudster's environment, and a change in the norms of the business organization to eliminate the rationalization of unethical behavior. It is such a program that is essential to cultivate a climate for financial accountability in the County Government of Embu, and point to the usefulness of the theory's application in connection not only with the physical prevention of fraud, but with improvement in the general administration of public resources (Cressey, 1953; Kenyon & Tilton, 2006; Kiragu et al., 2013; Levi, 2008; Bejinariu, 2020; Manurung & Hadian, 2013; Ngigi & Kawira, 2015). This theory was used to study the strengthening of accountability measures which in turn shall affect financial accountability as it will ensure that all financial transactions within the County Government of Embu are put under severe scrutiny and all financial dealings are submitted to the supervision of the County Treasury.

Empirical Review

Existing literature has sufficiently explored the relationship between independent assurance and financial accountability but several gaps exist which require further research. The competence of internal audits has been studied in various contexts such as crawling NGOs in Nakuru County (Kemunto, 2018) and the local governments in Zimbabwe (Jachi & lucky, 2019). The studies, however, do not illuminate the competencies needed in particular in the sustainability of finance or the external environment that results in the internal audit competency. Limited research on the ethical considerations of internal audit function has not been widely studied (Hajering and Muhammad, 2019). The future research should investigate the ethical issues linked to the Internal audit functions and the relationship with the financial accountability as a whole have not been fully researched. Some studies like Kemunto and Oluoch (2021) and Mutua (2023) have established that Internal audit competence has a positive relation, however there is scope for expansive study of the specific internal audit procedures and practices which positively result in high levels of financial accountability.

Results of literature on Control Activities and the Financial Accountability of the Public have shown helpful results, however, it has also shown that there are gaps that need to be filled by

undertaking further research. Although it is reported that in Nigeria and Kenya control activities positively associate with organization performance (Bina Volobah, 2018; Kipkemboi et al 2016), the knowledge gap that seems to exist is on the factors influencing financial accountability at the point of control activities.

Works by Muraleetharan (2013) and Wachira et al (2014) indicate a linkage between control activities and financial management but do not examine the implications of financial accountability. This is a gap because the control activities and financial accountability are measured individually and it seems as though it is a field that has not been explored. In research which concentrates on the independence of internal auditors (Adeyemi and Olarewaju (2019) the focus is narrowed down but the whole subject of financial accountability is not satisfactorily canvassed. Future researches should further endeavor to cover this gap by measurements undertaken in a full investigation relative to the control activities undertaken in the public arena so far as the financial culpability is concerned.

The existing literature on the risk assessment and financial responsibility in different areas is a source of valuable information but there are specific gaps that should be filled through further research. The research of Simeyo and Onyiego (2013) on internal control mechanisms managing Free Primary Education (FPE) funds noted the importance of integrating risk assessment into internal control mechanisms. There is still a gap regarding how exactly risk management assists in promoting financial accountability. According to the study conducted by Transparency International Kenya (2014) on corruption threats in the education sector, there are some weaknesses, but fails to associate them to the larger entity of financial accountability. Future research needs to fill this gap by clarifying how the identified risk factors influence over all financial accountability.

Although researches by Mugenda et al. (2012) reveal that risk management practices positively impact fiscal success, there is no comprehensive study of risk management practices impacts on financial accountability. Literature reviewed on chosen research and the larger concepts reveals the multi-dimensional effects of risk appraisal on the financial operations that the management performs. However, the research gaps emphasize the need for further research to understand better how risk management enhances transparency, compliance, trust and ultimately financial accountability. In the sphere of risk management, this study assesses operational, financial and compliance risks. The methods used in assessment of the risks have also been explored and made a distinction between quantitative, statistical, and qualitative methods like expert opinion.

METHODOLOGY

Descriptive study design with the aid of ex post facto approach was adopted for the study. It entails examining the research phenomenon as it exists, without alteration of variables (Smith & Albaum, 2012). One key benefit of this approach is its ability to gather accurate and factual data. The study targeted 361 Embu County employees involved in decision making directly or indirectly in Finance, Procurement, Internal Audit, Economic Planning, Revenue collection and the Inspectorate departments. The Yamane formula was applied in generating a sample size of 190 respondents as

Data collection involved a structured questionnaires consisting of closed and open questions with fixed alternatives and were selected because of the benefits in as far greater feedback, data collection and statistical software analysis is concerned. (Miller, Acton, Fullerton, & Maltby,

2017; Cohen et al., 2017). In addition to questionnaires, the study utilised interviews and focus groups as part of the data collection methods.

Multiple linear regression model was utilized in analysis as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where: **Y**=financial accountability

β_0 =constant

β_1 , β_2 , and β_3 = explanatory variables coefficients (independent assurance, control activities and risk management)

FINDINGS AND DISCUSSION

Response Rate

Out of 190 questionnaires, 179 were valid and therefore a 94% response rate was achieved. Such a response rate is quite high and it is anticipated that it will provide a good basis for data analysis and its generalisation.

Table 1: Response Rate

Category	Frequency	Percentage
Questionnaires returned	179	94%
Questionnaires not returned	11	6%
Total	190	100

Source: Research Data (2025)

Descriptive Statistical Analysis

The key statistical measures of minimum samples, maximum samples, sample means, sample standard deviations and frequencies expressed as percentages is summarized here.

Table 2: Descriptive Statistics for Study Variables

Variable	N	Mean	Std.Dev	Min	Max
Independent assurance	179	2.41	0.590	1.00	4.17
Control Activities	179	2.15	0.602	1.00	4.33
Risk Management	179	2.02	0.600	1.00	4.67
Financial Accountability	179	2.02	0.606	1.00	4.25

With an average mean score of about 2.00 for each of the variables, it is evident that the respondents from Embu County consider financial accountability, risk management, control activities and independent assurance to be Effective in accordance with the scale used. Although there are some variations as evidenced by the entire range of responses, including Neutral or Ineffective ratings, the small standard deviations of the scores indicate a degree of conformity. In general perceptions are overwhelmingly positive.

Independent Assurance

The evaluation of independent assurance noted areas of duty segregation, professional care and evidence gathering as independent assurance components within Embu County. This data is reflected in the below bar graph.

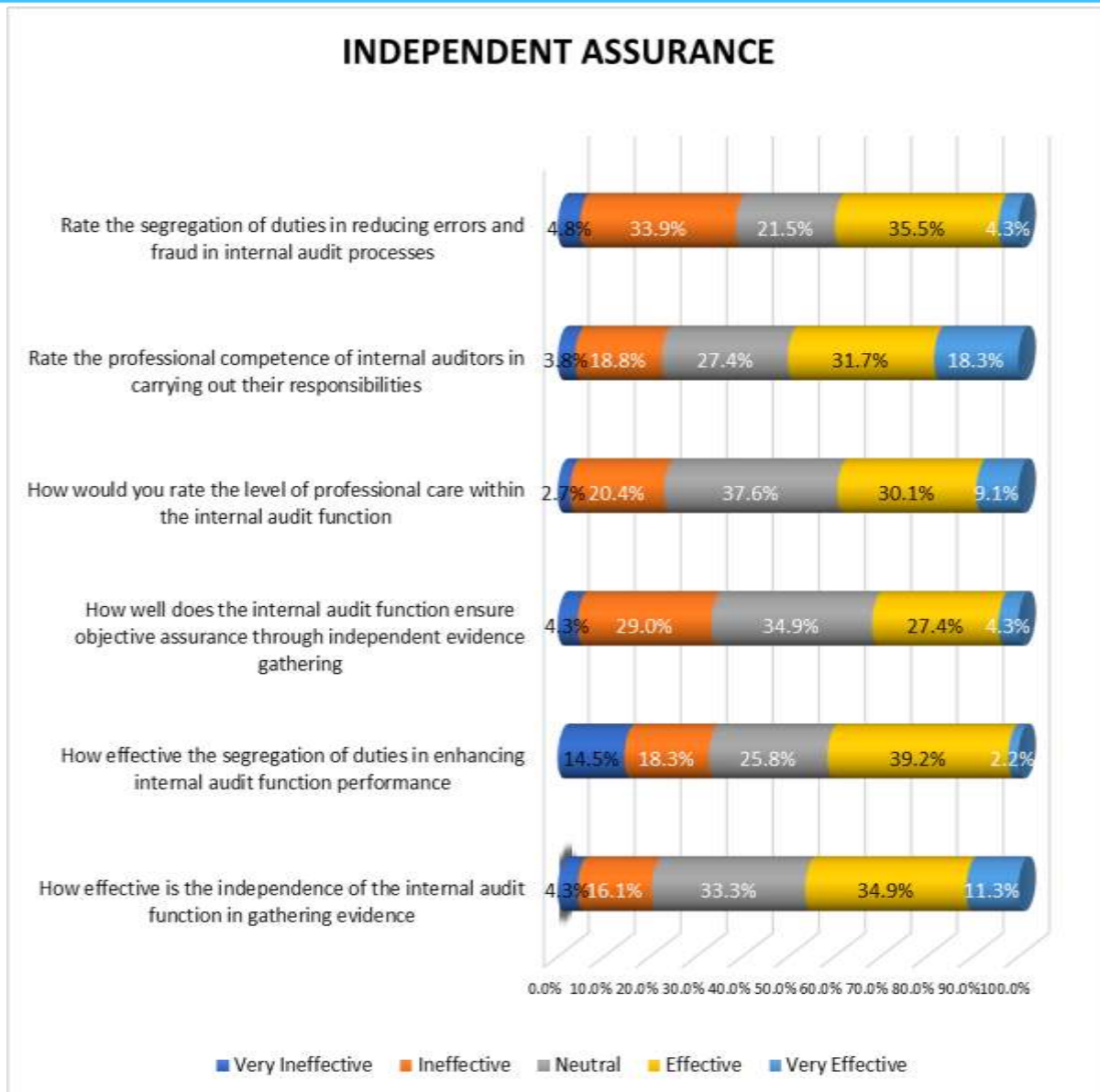


Figure 1: Independent Assurance Chart

The results showed a mixed perception of respondents. For instance, the segregation of duties was perceived by 39.25% of respondents as Effective for the enhancement of internal audit operations while a combined total of 32.8% rated it as Ineffective or Very Ineffective. Similarly in response to its effect in preventing errors and fraud 35.48% responded as Effective while an increased total of 38.71% found it to be Ineffective. Perceptions issued on the subject of professionalism were more favourable. 50% of respondents rated the auditor’s professional competence in terms of being Effective (31.72%) or Very Effective (18.28%). However, significant neutrality was shown on opinions regarding auditor independence in respect of the gathering of evidence (33.33%) and objective assurance (34.95%). The high average of Neutral (30.11%) and Ineffective (22.76%) responses on the components would lead one to believe that though there are areas of strength, and in particular auditor competence, the overall

framework of independent assurance within the county is not perceived as consistently strong or Effective.

Control Activities

The control activities were evaluated using questionnaire comprising of financial reporting, reconciliations, authorisation and approval of transactions, and policy compliance as the main factors influencing control activities within Embu County.

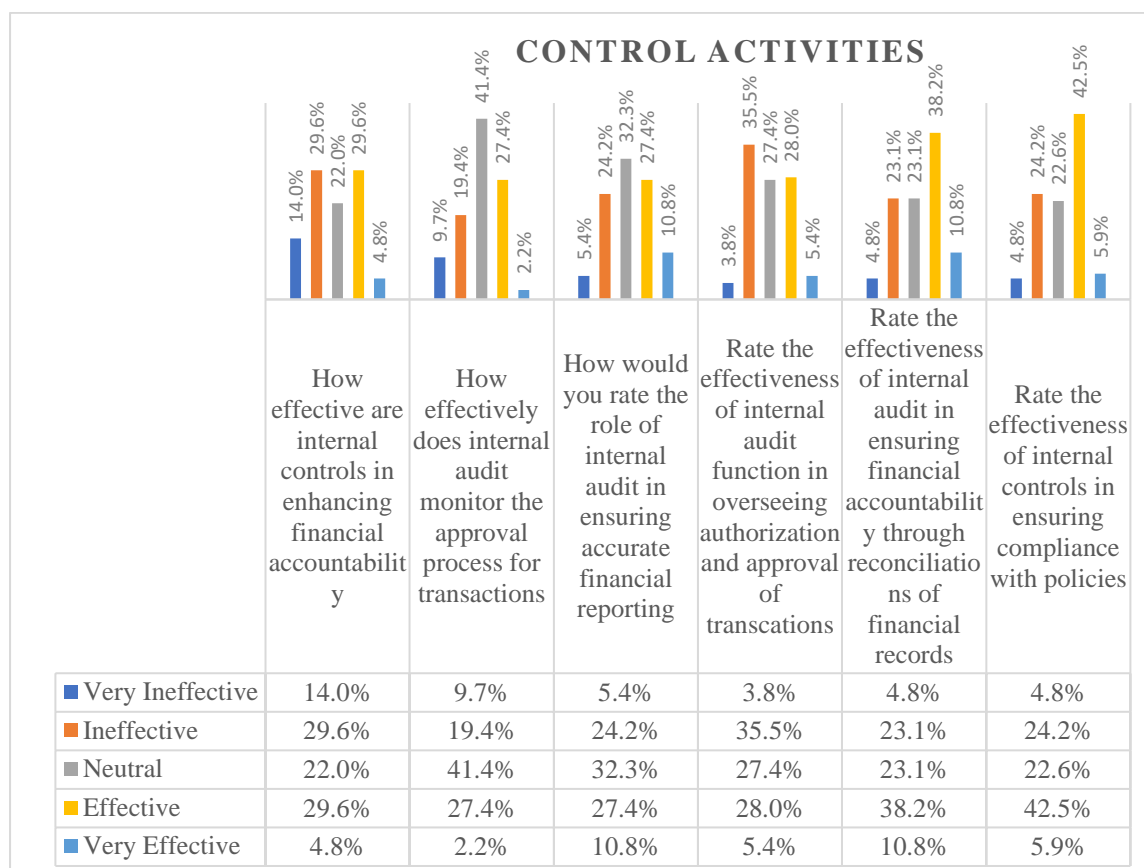


Figure 2: Control Activities Chart

The responses were varied. The major observation was that of the respondents, 42.47% rated the internal controls as Effective in ensuring policy compliance. However, question on effectiveness on financial accountability, 43.55% of the respondents indicated ineffective or very ineffective.

One of the main areas of concern was that of transaction authorization and approval, 35.48% of the respondents' felt oversight was Ineffective, whilst 41.40% were Neutral on how internal audit monitors the approval process. These constitute a possible weakness in the area of control activity. On a much more satisfying note, financial reporting and reconciliation of accounts was rated better, 48.92% of respondents having rated the reconciliation effective or Very Effective. Significantly the high percentage of Ineffective of 25.99%, and the Neutral response of 28.14% seem to indicate that the control activities in Embu County are applied inconsistently and or are ineffective in ensuring financial accountability.

Risk Management

Risk management was evaluated from the responses of the questionnaire that contained questions regarding risk identification, assessment, and mitigation/control as those were regarded as the critical processes of Risk Management in Embu County.

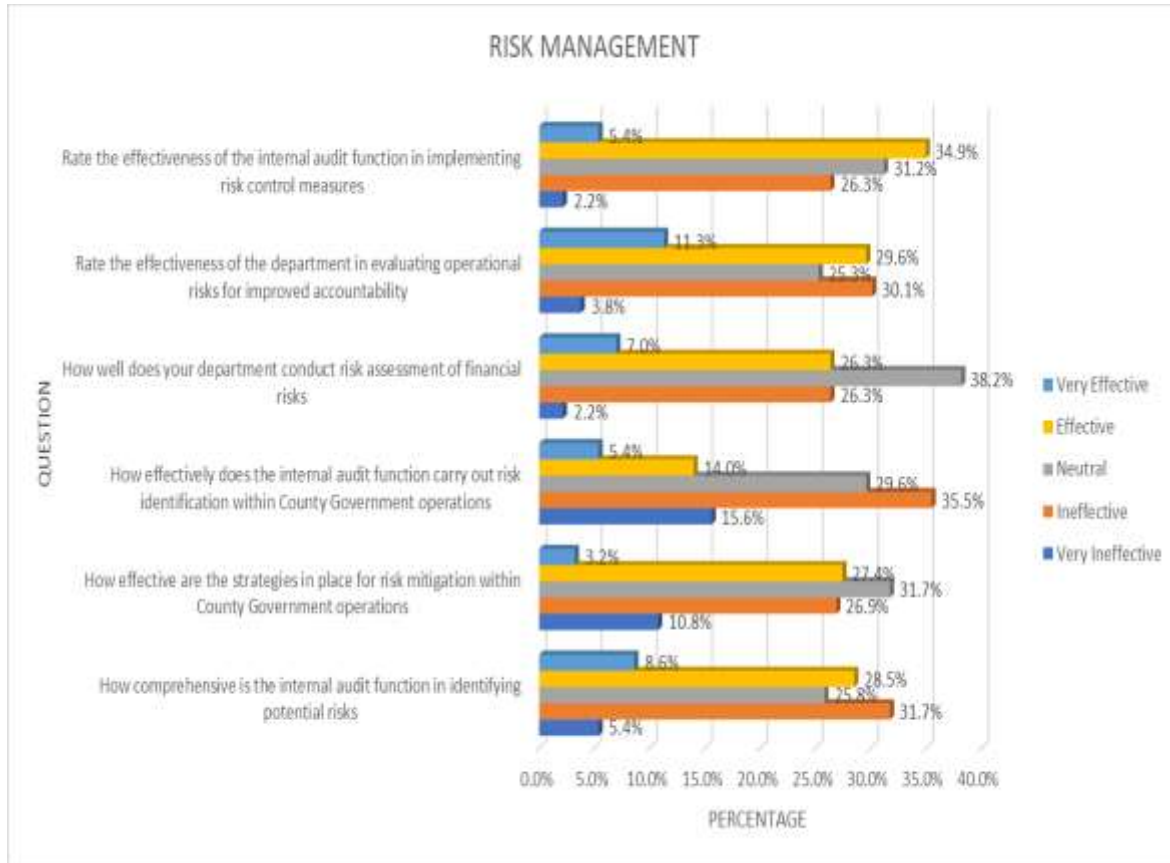


Figure 3: Risk Management Chart

This variable was notably very weak in the areas of internal audit function. 51.07% of respondents pointed out that they viewed the internal audit as ineffective or very ineffective in the risk’s identification area. This is a fairly significant area, given that if the risk identification is performed properly, it is the first step in any successful management framework. In addition to this, 37.1% of respondents felt that the function was ineffective in identifying potential risk. In the assessment of the risks, a very large number of the respondents, 38.17% felt Neutral to the capability of the internal audit in risk assessment. Furthermore, 37.7% felt the county’s risk mitigation strategies were also ineffective or very ineffective. Combined 30.2% rated risk management as effective or very effective with 30.29% classifying themselves as Neutral. Those perceptions indicate that there is a definite gap in the county’s ability to manage risks.

Financial Accountability and Secondary Data Trends

The dependent variable, financial accountability, was assessed through expenditure management, cost reduction, revenue management, transparency, and accountability.

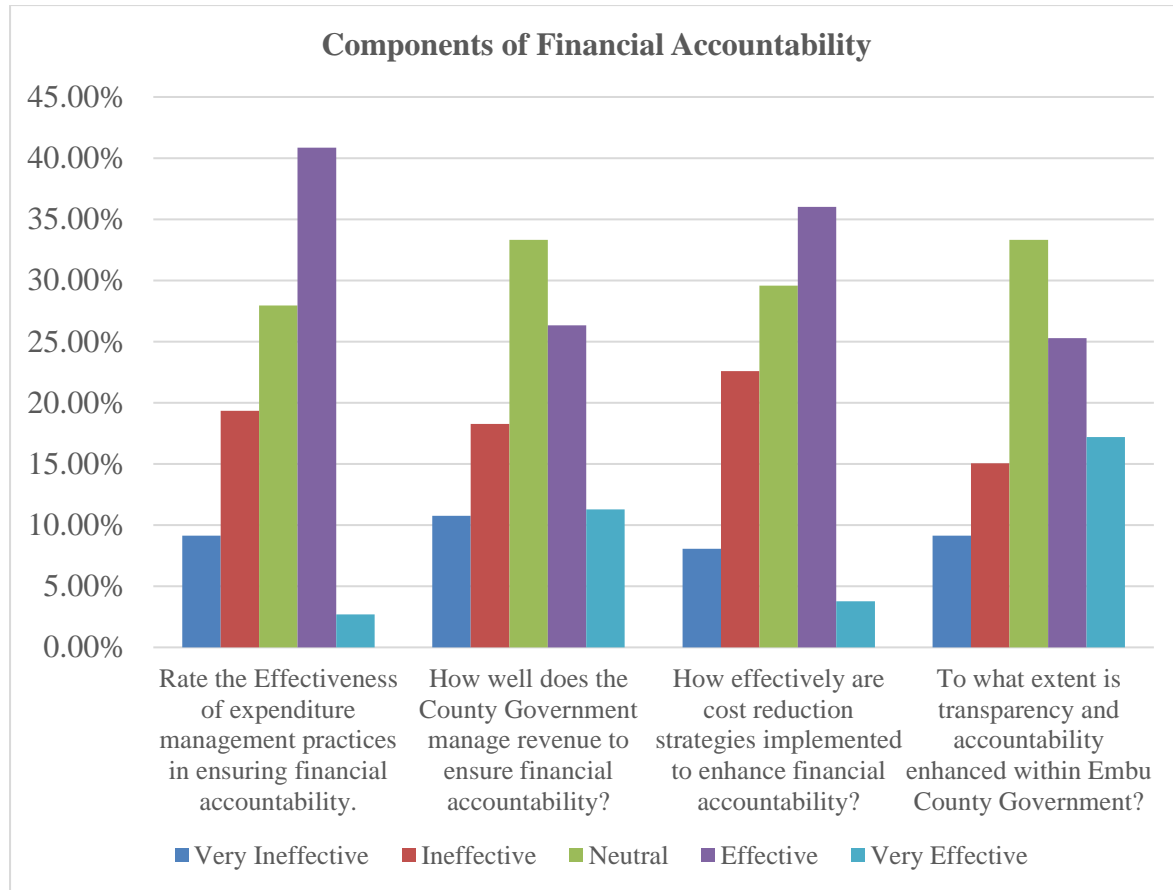


Figure 4: Financial Accountability Chart

The responses indicated a varied opinion on the state of financial accountability. 40.86% of respondents felt expenditure management practices were Effective, a notable 28.49% found them Ineffective or Very Ineffective. The highest number of respondents were Neutral 31.05%, suggesting a lack of strong conviction in the effectiveness of accountability mechanisms

To place these perceptions in context, secondary data from official reports for the years 2019/2020, 2020/2021, 2021/2022, 2022/2023 was analysed. The results from the Office of the Auditor-General (OAG) and the Controller of Budget (CoB) corroborate the fears expressed by the responses. Universal trends of financial control weaknesses are visible forming an objective background for the primary data. The trends are summarised in Table 4 below.

Inferential Statistics

Multiple linear regression analysis evaluated study hypotheses and investigated independent-dependent variables’ relationship.

Correlation Analysis

Correlation analysis using Pearson Correlation Coefficient was carried out to quantify the association between the independent and dependent variables. The table below 3 shows the result of measuring the strength and direction of the linear relationship between them.

Table 3: Pearson Correlation Coefficient (r)

	Independent Assurance	Control Activities	Risk Management	Financial Accountability
Independent Assurance	1			
Control Activities	0.612	1		
Risk Management	0.540	0.598	1	
Financial Accountability	0.719	0.782	0.729	1

The analysis reveals a strong positive correlation between the independent variables: Independent Assurance, Control Activities and Risk Management and the dependent variable Financial Accountability. This suggests that improving any one of the three areas is likely to have a substantially positive effect on financial accountability. Of these, Control Activities shows the strongest relationship $r=0.782$ which indicates internal controls are strongly related to improvements in financial accountability. Similarly strong relationships exist for Risk Management $r=0.729$ and Independent Assurance $r=0.719$ indicating the undeniably close ties between effective risk management practices and independent assurance and financial accountability.

Moreover, the analysis shows there are moderate positive correlations among the independent variables. For example, between Control Activities and Independent Assurance, $r = 0.612$. This finding is consistent with the low Variance Inflation Factor that was identified in the earlier sections showing that collinearity does not pose any major problems. This adds validity to the model in that, although the independent variables are correlated, they contribute uniquely in helping to explain financial Accountability's differences.

Regression Analysis

The dependent variable in the multiple linear regression was financial accountability, and independent assurance, risk management, and Control Activities were the independent factors.

Table 4: Model Summary

Model	R	R-squared	Adjusted R-squared	F-statistic	Prob (F-statistic)	N
1	0.883	0.779	0.774	169.1	2.19E-46	179

The summary of the model as presented in the table above gives important information on the overall fit of the regression model. The multiple correlation coefficient, denoted as R, is 0.883, and it means that the relationship between the joint predictor variables and financial accountability is very high and positive. The coefficient of determination, referred as R-squared, is 0.779 implying that the variations in independent assurance, control activities and risk management explain almost 77.9 percent of the overall variance in financial accountability. The adjusted R-squared value, which explains the number of predictors used in the model is

0.774. This minor shift relative to the value of R-squared proves the great explanatory power of the model under consideration, and it can be assumed that the internal audit elements chosen are significant predictors of financial accountability in the framework of Embu County. The remaining 22.1% of the variance is attributable to other factors not encompassed by this.

Table 5: ANOVA- Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.118	3	2.706	169.1	<0.001
	Residual	2.247	182	0.013		
	Total	10.365	185			

To check whether regression model worked well overall, an ANOVA test was carried out. The test produced an F-statistic of 169.1, which basically shows how strongly the model explains changes in dependent variable. P-value was less than 0.001, which is far below usual cut-off point of 0.05. Simply, this means model is statistically significant and offers a good fit for data. It confirms combination of independent assurance, control activities, and risk management reliably predicts financial accountability, and the results are not due to random chance.

Table 6: Regression Coefficients

Variable	Coefficient (β)	Std. Error	t-statistic	P-value
Constant	0.2097	0.171	1.229	0.221
Independent Assurance	0.2623	0.054	4.899	<0.001
Control Activities	0.3895	0.057	6.838	<0.001
Risk Management	0.2876	0.053	5.413	<0.001

The coefficients table provides a detailed examination of the individual contribution of each predictor variable to the model. The unstandardized coefficients β quantify the nature and magnitude of each internal audit component relationship with financial accountability while the P-value indicates the probability that predictor-dependent variable relationship is due to random chance i.e., the lower it is the stronger the relationship between the two variables and it is less likely to be the result of chance.

For independent assurance, the coefficient is 0.2623 with a p-value of <0.001. This positive and highly significant coefficient implies that for every one-unit increase in the effectiveness of independent assurance, financial accountability is predicted to increase by 0.2623 units, holding all other variables constant. Similarly, risk management has a positive and significant coefficient of 0.2876 with $p < 0.001$, suggesting that a one-unit increase in the effectiveness of risk management leads to a 0.2876-unit increase in financial accountability.

Notably, control activities exhibited the largest coefficient $\beta = 0.3895$, $p < 0.001$, indicating it has the most substantial positive influence on financial accountability among the three predictors. This implies that the biggest enhancement of financial accountability could be achieved in the County Government of Embu through fortification of control activities. The p-value of all the predictor variables is significantly lower than 0.05, which supports the statistical significance of each predictor variable in the model. Based on these coefficients, the established multiple linear regression equation is:

$$Y = 0.2097 + 0.2623X_1 + 0.3895X_2 + 0.2876X_3 + \varepsilon$$

Where:

Y = Financial Accountability

X_1 = Independent Assurance

X_2 = Control Activities

X_3 = Risk Management

ε = Error term

Hypothesis Testing

HO₁: Independent assurance has no significant effect on financial accountability of Embu County, Kenya

This implies that the biggest enhancement of financial accountability could be achieved in the County Government of Embu through fortification of control activities. The p-value of all the predictor variables is significantly lower than 0.05, which supports the statistical significance of each predictor variable in the model.

The regression analysis yielded a t-statistic of 4.899 and a p-value of less than 0.001 for this variable. Since the p-value is smaller than the significance level of 0.05, the null hypothesis is rejected. This leads to conclusion that independent assurance positively and statistically significantly affects financial accountability in Embu County. This result is consistent with the Agency Theory which notes oversight mechanisms such as independent audits are required to bring the actions of agents congruent with principals' interests and minimize the agency costs. This discovery is also in line with the studies conducted by Armstrong (2020) who argued that accounts evaluated by independent auditors are a source of financial success and accountability

HO₂: Control activities has no significant effect on financial accountability of Embu County, Kenya

The second hypothesis tested the effect of control activities. The results from the coefficients table show that control activities have a t-statistic of 6.838 and a corresponding p-value of less than 0.001. As this p-value is significantly below the 0.05 threshold, the null hypothesis is rejected. Therefore, the study concludes that control activities have a strong, positive, and statistically significant impact on financial accountability within the county. The finding empirically supports the literature, including Kipkemboi et al. (2016) and Bina and Obah (2018) that found control activities positively relating with organizational performance.

HO₃: Risk management has no significant effect on financial accountability of Embu County, Kenya

The final hypothesis examined the contribution of risk management. The regression analysis produced a t-statistic of 5.413 with a p-value of less than 0.001. This p-value also does not exceed the predetermined alpha of 0.05 so the third null hypothesis is rejected (Chimuchiti, 2022). Risk management is therefore concluded to positively and statistically significantly affect financial responsibility of Embu County. . It is also correlated with the results of Mugenda et al. (2012) who determined a positive impact of risk management practices on financial success.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the empirical data and analysis contained in this examination, several conclusions can be made. The study concludes the internal audit function, comprising of independent assurance, control activities, and risk management, is a critical and significant variable in terms of financial accountability in the County Government of Embu. All of these features both individually and collectively, positively impact to improve the stewardship of public resources, transparency and compliance.

The study further concluded that, notwithstanding internal audit mandate existence, the operational effectiveness is perceived as not to be borne out, with certain significant deficiencies manifest. For instance, while the audit staff professional competence is acknowledged, the independence of the audit unit is compromised, and consequently its assurance abilities are limited. Control activities, as the most effectful variable, are inconsistently applied, and there are weaknesses in critical areas such as transaction authorisation.

However, risk management function is concluded as most poorly developed and perceived variable, and represents an area of major identifiable vulnerability for the county. Consequently, it can be concluded from the study that the continued accountability challenges facing the County Government of Embu as evidenced by the qualified audit opinions, the issues with the implementation of the budget, the dwindling amount of revenue which is attributable to these perceived deficiencies in its internal audit are inextricably linked. The onus is on the Government to address the problems in its internal audit in order to strengthen its Core Pillar of Internal Audit, which is an essential prerequisite for establishing prudent handling of public funds, re-establishing public confidence as well as a method of achieving the county's developmental objectives.

Recommendations

In view of the findings and conclusion, the study makes the following recommendations to County Government of Embu in order to improve its financial accountability.

First, it is vital to improve the independent assurance of the internal audit function. It will be necessary for the county government to take specific measures to guarantee the organizational and operational independence of the internal audit unit so that its independence is not impaired through undue political and administrative interference. This can be accomplished through the establishment of an unimpeded line of reporting to an independent Audit Committee that is properly constituted and well-resourced, in accordance with internal audit standard 2.2 on preserving objectivity. The county must also devote significant resources to the continuing professional development of its internal auditors in order to ensure competence as demanded in Internal audit standard 3 .1.

Second, the study strongly recommends an improvement in the control activities as this is the most important influence. The county should enforce stricter adherence to the authorization and approval hierarchies' layer over all transactions, ensuring that there is no room for unsupported expenditures. All financial records must be regularly and promptly reconciled and the results reviewed. A strong mechanism must also be put in place to ensure the timely and complete implementation of the audit recommendations made in order to complete the loop of accountability required to ensure that identified weaknesses are not recurrent.

Thirdly, there is a pressing need to create and embed a formal risk management framework. This framework should consist of regular and thorough risk assessments that will proactively identify financial, operational and compliance risks in all departments. Clear risk mitigation strategies will have to be formulated, implemented and monitored. In order to make this effective, the county should encourage a culture of risk awareness and responsibility across all staff, changing the perception of risk management from a specialist area to one that is imbedded in day-to-day operations.

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