Abstract:

Purpose: The purpose of this study was to determine the effect of internal controls on financial performance of water service Providers in Kenya a case study of Water Companies under Tana Water services Board region in Kenya.

Methodology: The study used a descriptive survey study research design. The population of the study was 22 Members of the audit committee, 22 Finance Managers, 22 internal auditors and 22 senior accountants in WSPs in TWSB region as at December 2014. The study conducted a purposive sampling of the selected members of the Audit Committee, Finance/ Commercial Managers, Internal Auditors and Senior Accountants in the selected WSPs. The study used primary method of which was obtained by use of structured questionnaires. The data was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) computer software for analysis. The particular descriptive statistics included frequencies and percentages while the particular inferential statistics included correlation analysis and regression. Correlation analysis was to establish the association between the variables while a multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The data was represented in form of tables and pie charts.

Results: The study found that segregation of duties, cash reconciliation, inventory audits and cost management influence the performance of water companies under Tana water services Board. The findings revealed a strong positive relationship between the independent variables and the dependent variable.

Unique contribution to theory, practice and policy: The study also recommended that the managers of water companies should adopt efficient management practices. This will help improve the financial performance of the water companies. The study also recommended that the managers address various challenges affecting internal control systems in the water companies. The challenges hindered effective financial performance of the organizations.