

**INFLUENCE OF GOVERNANCE PRACTICES ON PERFORMANCE OF
COUNTY GOVERNMENTS IN KENYA**

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**MASTERS DEGREE OF BUSINESS ADMINISTRATION IN CORPORATE
MANAGEMENT**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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ABSTRACT

The Kenyan government acknowledges that there has been poor performance in the public sector over the years, especially in the management of public resources, which has hindered the realization of sustainable economic growth. Governance presents the single biggest opportunity for operational efficiency in any organization; therefore, its adoption is paramount in public sector management. The purpose of the study was to examine the influence of governance practices on the performance of county governments in Kenya. The study sought to establish how internal controls, stakeholder participation, internal audit standards, and transparency influence the performance of county governments in Kenya. The study employed a descriptive research design; the study prefers this method because it allows an in-depth study of the subject. The target population was Heads of Departments in all Ministries, Chief Officers of all Ministries, and Members of the County Assembly. Pilot study was carried out to establish the reliability and validity of research instruments. The instruments was designed appropriately according to the study objectives. A structured questionnaire was used to collect data. Data gathered from the questionnaires administered was analysed with the help of SPSS and Microsoft Excel. The outputs was presented in the form of statistical diagrams, tables, and charts. The study used multiple linear regression and correlation analysis to show the relationship between the variables. The study findings indicated that internal controls has a positive and significant relationship with on performance of county governments' in Kenya. Further, stakeholder participation had a positive and significant relationship with on performance of county governments' in Kenya. Internal Audit Standards has a positive and significant relationship with on performance of county governments' in Kenya. Lastly, the study concluded that that transparency has a positive and significant relationship with on performance of county governments' in Kenya. The entire null hypotheses was rejected. The study recommends that the County Government should encourage stakeholders to participate by incorporating their views in governance processes. A feedback mechanism should also be delivered where stakeholders are informed of the process of their participation and the key decisions that result from the participation. Further, the study recommends that there is need for the county government to come up with its calendar of events on its activities. should be availed to all the citizens at the beginning of a financial year. This will help in proper planning of its activities and ensure timely submissions of statutory requirements to both the county assembly and other organs.

Key words: Internal Controls, Stakeholder Participation, Internal Audit Standards, Transparency, Performance and County Governments

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ABBREVIATIONS AND ACRONYMS

AICD:	Africa Infrastructure Diagnostic Report
CA:	Contracting Authority
CECM:	County Executive Committee Member
CG:	County Government
GDP:	Gross Domestic Product
GOK:	Government of Kenya
KIPPRA:	Kenya Institute for Public Policy Research and Analysis
MDG:	Millennium Development Goals
OECD:	Organization for Economic Co-operation and Development
PBT:	Profit Before Tax
SPSS:	Statistical Package for the social science
VFM:	Value for Money
WB:	World Bank

OPERATIONAL DEFINITION OF TERMS

- Governance:** Refers to the process by which institutions are directed, controlled and held to account (Burger & Hawkesworth, 2011).
- Internal Audit Standards:** Refers to principle-focused and provide a framework for performing and promoting internal auditing. The Standards are mandatory requirements consisting of: Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance (De-Vries & Yehoue, 2013).
- Internal Controls:** Refers to the systems, procedures and processes instituted and implemented by an organization in order to prevent or mitigate unwanted events from happening and to ensure smooth running of affairs in an organization (Abednego, 2016).
- Performance of County Governments:** It describes key indicators, methods, and processes that are necessary for measuring success. Performance comprises the actual output or results of an organization as measured against its intended outputs. Performance encompasses three specific areas of outcomes: financial performance, timely delivery and customer satisfaction (Chege, 2011).
- Stakeholder Participation:** Refers to an integral part of a stepwise process of decision making. At different phases, involvement may take the form of sharing information, consulting, dialoguing, or deliberating on decisions (Hodge & Greve, 2010).

Transparency: Refers to the quality of communication which must be reliable, factually accurate, easily understood by the intended audience and presented in a manner that promotes adoption of the desired behaviors and trust between the public and the organization which must be forthcoming and open to provide evidence of information to be believable and used by the public to make decisions that concern the public and organization (Barnes, 2014).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Governance practices are the tool used by the stakeholders to oversee management and safeguard the insiders' interests. The structure of governance chosen by an institution is founded on resolutions to decrease any impending exchange problems shaped by bounded rationality, on the one hand, and the threat of opportunism on the other hand. Public sector governance practices is distinguished from the private sector by its need for significant objective diversity and management constructs. Such governance practices components in the include transparency, internal controls, stakeholder participation and internal audit standards (Daiser, Ysa & Schmitt, 2017; Bhagat & Bolton, 2019; Oruke, Iraya, Odhiambo & Omoro, 2020).

Globally, governance practices have logically turned out to be critical in developed and developing nations worldwide (El-Bassiouny & El-Bassiouny, 2019). Governance practices are viewed as ethics and moral duty of institutions. A variety of Governance frameworks have been developed and adopted in different parts of the world. Robert (2014) argues that the governance of early U.S. corporations was superior to that of corporations because early corporations governed themselves like republics, replete with numerous checks and balances against fraud and against the usurpation of power by managers or by large shareholders (Pillai & Al-Malkawi, 2018; Boatright, 2017).

In the regional perspective, governance practices in Africa became widely used in public organizations in the 2000s, owing to the practices advocated by the New Public Management (NPM) enthusiasts (Chigudu, 2018). The popularity of good governance practices in public institutions resulted from a growing realization that they need managers to

run them and management boards to ensure that the institutions are run effectively and in the right direction (Agyemang, Gbettey, Gatsi, & Acquah, 2019). Governance practices have therefore become popular in Africa, because it is seen as a strategy for promoting good performance of institutions by preventing poor governance from taking root (Arayssi & Jizi, 2019).

Locally, the governance of the Kenyan government with respect to public financial management oversight falls under the Office of the Auditor General of Kenya (OAGK), which is the lead agency in promoting good governance and accountability in the management of public resources (Muriuki, Cheruiyot & Komen, 2017). In response to curb poor governance, the government of Kenya has deliberately taken parastatal reforms to ensure more effective utilization of public resources in the face of rising societal needs (Koech, 2018). These reforms are targeted at achieving improvements in public service delivery as part of the wider public reforms. To address the challenges of governance in State Corporations, the government developed Mwongozo as a critical building block in entrenching public service principles and values and best practices in governance (Mwongozo, 2015).

Kenya's major problem affecting good governance has been identified by the government as corruption which is seen as the single greatest obstacle to economic and social development in the country and has been justified by the new constitutional dispensation (Pitcher, 2018). It has been responsible for distorting the rule of law and weakening the institutional foundation on which proper governance and economic growth depends (Nduta, Shisia, Kamau & Asienga, 2017). Good governance is seen as an important factor not only in eradicating poverty but also in attracting investments anywhere and promote development. In agreement was Knoepfel (2017) who argued that good governance at the institutional level is the obvious starting point for international emerging markets investors. Minja (2018) asserted

that unethical practices in organizations and at the political levels have been widely reported in the wake of many high-profile management and financial scandals all over the world.

1.1.1 Governance Practices

Governance includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed (Wanjau, 2017). The key aspects of governance practices include internal controls, stakeholder participation, internal audit standards and transparency (Bhagat & Bolton, 2019; Oruke, Iraya, Odhiambo & Omoro, 2020; Pillai & Al-Malkawi, 2018; Boatright, 2017). Internal controls are the mechanisms, rules, and procedures implemented by a institution to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud (Agyemang, Gbettey, Gatsi, & Acquah, 2019). Internal governance controls (internal controls) play a vital role in ensuring the success of a business organization and preventing fraud. Internal control activities that ensure proper governance include monitoring, internal audits and robust policies, proper balance of power and performance based remuneration (Daiser, Ysa & Schmitt, 2017).

Stakeholder participation involves people who may be affected by the decisions it makes or can influence the implementation of its decisions (Chigudu, 2018). It also entails organization clearly stating their legitimate stakeholders in their policies and incorporating them in their operations. In recognition of their legal, moral, social obligations which ought to be fulfilled (Muriuki, Cheruiyot & Komen, 2017). Stakeholder participation contributes to governance by helping to handle the multiple and often conflicting stakes held by the complex networks of groups that surround any institution (Pillai & Al-Malkawi, 2018).

Internal audit standards provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the

organization achieve strategic, operational, financial, and compliance objectives (Wanjau, 2017). Audit is an effective way to ensure that the institution has complied with all the laws applicable and effective internal control systems, policies, procedures are implemented well to serve needs of all the stakeholders (Bhagat & Bolton, 2019). The Standards are mandatory requirements consisting of: Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance (Nduta, Shisia, Kamau & Asienga, 2017).

Transparency entails openness, and willingness by the institution to provide clear information to shareholders and other stakeholders (Jacoby, Liu, Wang & Zhang, 2019). The management are expected to clearly and truthfully inform shareholders information about the organization. Procedures and mechanisms should be put in place to ensure that the integrity of the organization is maintained (Ramírez & Tejada, 2018). Some of these measures include engaging independent auditors and members to checkmate unethical behavior or actions within the organization (Chandler, 2020).

1.1.2 Performance

According to Cascio (2016) performance is the degree of employees' achievement on a given job based on organizational goal and mission whereas Bartoli and Blatrix (2015) contend that definition of performance should be achieved through items such as evaluation, efficiency, effectiveness and quality. The adoption of devolved system of governance in 2013 in Kenya presented the County Governments with the opportunity to enhance service delivery at the local levels. However to date many Counties continue to experience increasing demands from its citizenry for provision of better services in a fair and transparent manner (Muhunyo & Jagongo, 2018). This coupled with increased transfer of funds to devolved unit calls for accountability in use of public resources (Ngundo & James, 2018). Through the

years, development and access to public services in Kenya's County governments have been mired mainly by poor governance policies manifesting themselves in patronage, accountability in public expenditure, participatory governance, lack of transparency, and lack of democratic (Musau & Kirui, 2018). A report by World Bank (2019) noted that the numerous challenges faced by the county governments have led to the need for the implementation of better and more efficient ways that can be able to handle problems both efficiently and effectively.

Governance practices are an important strategic issue for county governments to facilitate their performance in service delivery (Jerono & Kimutai, 2018). The people are involved directly in governance through the transfer of resources and authority from higher to lower levels of the devolution responsibilities by the principles appointed by the people themselves (Ngundo & James, 2018). Good governance provides purpose, resources, and accountability in support of management, enabling organizations to achieve strategic objectives (Kibua & Mwabu, 2016).

1.1.3 County Governments of Kenya

County Governments are devolved lower levels of government of Kenya established in 2013 in accordance with the 2010 Constitution of Kenya (Juma, Korir & Mulongo, 2019). The objectives of devolution as provided for in Articles 174 and 175 are to promote democracy and accountability in the exercise of power, fostering national unity by recognizing diversity, enhancing people's self-governance, enabling communities manage their own affairs, protecting and promoting interests and rights of minorities and the marginalized and ensuring equitable sharing of resources (Jerono & Kimutai, 2018). County Governments contribute to the attainment of Kenya's Vision 2030 overall objective of achieving a globally competitive and prosperous Country status. The county assembly is

headed by a County Speaker who, by law, is not supposed to be a member of the assembly. On the other hand, the county executive is responsible for exercising executive power at the county level, implementing laws for the county's administration, and carrying out other executive functions of the county.

1.2 Problem Statement

Major strategic decisions concerning institutional resources allocation and utilization are the very investments basis that can result in sustainable performance and development (Ngumi, 2016). These strategic decisions regarding governance practices are inclusiveness, effective regulatory body and consensus orientation, and the extent of stakeholder's participation in the counties endeavours. Okiiya, Kisiangani and Oparanya (2015) posit that for a country to have the capacity to achieve sustainable prosperity there is need to have measures that will ensure public funds are well managed. The County Governments are expected to play a major role in the development of the country through provision of public services. However, County governments in Kenya have been experiencing a myriad of problems including poor quality goods and services and inefficiency leading to waste of huge amounts of public resources (Jerono & Kimutai, 2018). Counties continue to experience increasing demands from its citizenry for provision of better services in a fair and transparent manner (Nduta, Shisia, Kamau & Asienga, 2017). This coupled with increased transfer of funds to devolved unit calls for accountability in use of public resources. According to Musau and Kirui (2018), performance was affected by governance, but their focus was on private institutions and public-owned corporations.

While several studies have been done on the effect of governance practices on performance coming up with different findings, many have concluded that good governance practices results in better financial performance of the firm (Stanwick & Stanwick 2012;

Bebchuk, Cohen & Ferrell, 2014; Kihara, 2016). Other studies including (Lamport, Latona, Seetanah, & Sannassee, 2011) have found no significant difference in the performance of firms with poor governance practices and those with excellent quality of governance practises. Hence, no significant relationship exists between the variables. Ng'etich (2015) did a study of on the effect of corporate governance and the performance of state owned corporations focusing on the water companies in Kenya while Guzeh (2012) also did a study on the effect of corporate governance of financial performance of Kenyan Parastatals generalizing all State- Owned Corporations. A few other studies have been in financial services sector and quite a number focusing on specific institutions, however very few studies have been done on County Governments. This research was aimed at filling the gaps that have not been done by assessing the influence of governance practices on performance of county governments' in Kenya.

1.3 Research Objective

1.3.1 General Objective

The study main objective was to assess the influence of governance practices on performance of county governments' in Kenya.

1.3.2 Specific Objectives

The study was guided by the following research objectives.

- i. To establish the influence of internal controls on the performance of county governments in Kenya.
- ii. To assess stakeholder participation influences the performance of county governments in Kenya.
- iii. To establish the influence of internal audit standards on the performance of county governments in Kenya.

- iv. To determine the influence of transparency on the performance of county governments in Kenya.

1.4 Research Hypotheses

The study tested the following research hypotheses;

H₀₁: Internal controls has no significant effect on the performance of county governments in Kenya.

H₀₂: Stakeholder participation has no significant effect on the influence the performance of county governments in Kenya.

H₀₃: Internal audit standards has no significant effect on the on the performance of county governments in Kenya

H₀₄: Transparency has no significant effect on the influence on the performance of county governments in Kenya.

1.5 Significance of the Study

This study was of great value and useful to persons interested in understanding how governance influences performance of county governments. It is important to note that the study findings are specifically benefit the following groups:

1.5.1 Government of Kenya

The stakeholders in the public sector in Kenya as well will know the impact of governance on the performance of county governments. Understanding the concept of governance is expected to be important to the government in formulating policies relating to governance in the country (Kothari, 2014).

1.5.2 The Procurement Departments in Counties

The study is of benefit to the management and employees in the counties who will gain insight into governance practices. The study will enhance the understanding of the importance of adopting governance practices and improve the counties' long-term performance.

1.5.3 Stakeholders and other Interested Parties

These include industry professionals, institutions, and suppliers in governance practices; the study provides useful, relevant, and up-to-date information on the best governance practices, limitations, and challenges. Additionally, it provides recommendations that come in handy during implementation by the stakeholders.

1.5.4 Researchers and Students

Future researchers will also benefit in that they will increase their understanding of the pertinent issues concerning governance strategies. The study will act as a reference or guide to other interested parties researching the same topic. This study will add to the body of knowledge on governance practices.

1.6 Scope of the Study

The study focused on assessing the influence of governance practices on county governments' performance in Kenya. The study was conducted in Machakos County, Kenya. The target population was the CECM, The Chief Officers, Heads of departments and members of county assembly lead by the Hon Speaker. The study considered four core aspects of governance practices which are internal controls, stakeholder participation, internal audit standards, and transparency that influence the performance of county governments in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores literature relating to governance practices on firm performance. The first section discusses the theories informing the study and their applicability to the governance practices. The second section deals with the empirical review which looks in to the studies that have done before on governance practices and performance. The third section explores the conceptual framework, which explains the relationship between the independent variable and the dependent variable identified in the study.

2.2 Theoretical Review

This consists of concepts together with definitions and reference to relevant scholarly literature, existing theory that is used for a particular study (Kasomo, 2018). The theories informing the study was Theory of Financial Control, Stakeholder Theory, Agency Theory and Stewardship Theory.

2.2.1 Theory of Financial Control

The Theory of Financial Control was proposed by Laughlin in (1980). The theory stipulates that existing and possible functions of financial tools to organizations are most essential. The theory of financial control for organizations places a natural focus on the firms such that they are viewed from several latitudinal areas. First regard on human beings function, activities and output. Second is the structure of the organization activities and the transactions that various parties have with each other (Wagoki, 2019). Third is the control systems in the sense of recurring procedures and methods that are employed to relate present and future functions to resources both externally and internally. Financial control is argued to

be both crucial to individual organizations and large economic systems. The theory further states that structure and financial control system works together (Wakiriba & Ngahu, 2014).

The financial control theory is very relevant to the current study given that it assists in better understanding of the intricacies surrounding internal controls and internal audit standards in organizations. The whole system of interest, functions and payments which organizations are parts of may be viewed as a construction for handling economic scarcity. Financial control systems concern the ways in which functions and visions are related to resources within that structure. Structure and financial control systems are analytical concepts they should be viewed together when financial control is discussed (Otman, 2019).

2.2.2 Stakeholder Theory

Edward Freeman put the stakeholder theory forward in 1983. The theory is biased towards institutional management and business ethics that address moral issues in the management of firms (Hillman & Daniel, 2012). The stakeholder theory identifies and creates groups referred to as the stakeholders of an organization describing and recommending ways in which administrators can recognize and be guided by the interests of concerned groups. It caters for the internal and external stakeholders of the organization. Internal includes the employees, managers and owners of the organization, whereas the external stakeholders include society at large, government, creditors, stakeholders, suppliers and customers, trade associations and competitors.

The theory defines the specific stakeholders examining the conditions under which managers treat the parties in today's dynamic organizational environment (Gregory, 2012). The major critique of this theory is the application of concepts borrowed from the political circumstances with regard to social contract and applying it to business ventures. Stakeholder theory is deemed to undermine the principles that establish and maintain market economy. It

has succeeded in becoming famous beyond the business ethics fields (Jensen, 2013). The stakeholder theory currently is being pursued and uses strategic management to ensure that the strategies of the organization are achieved as per the planned strategies objectives (Klapper & Love, 2014). Stakeholder theory has succeeded in challenging the usual analysis frameworks such as management and human resource by ensuring that stakeholders' needs are at the heart of any move.

Stakeholder theory is relevant in explaining the objective on stakeholder participation. The application of theory into public sector improves organizations performance on bureaucratic activities eliminating and replacing modern systems such as the ISO standard Quality Management systems, well monitored, documented and controlled audits for the continuous improvement in quality of services rendered achieving customer's satisfaction and performance in the County Governments (Inglely & Walt, 2012).

2.2.3 Agency Theory

Jensen and Meckling (1976) proposed the Agency theory. The theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. Accordingly, Barlie and Means (2010) posit that in order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. They further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. This position is also supported by Coarse (2010) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work. He however, proposes that the principal suffers shirking which deprives him or her from benefiting from the work of the agent.

The theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Coarse (2010) explains that moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of cash residual (Hunger & Wheelen, 2010). Firm owners assume that managers in a firm are agents guided by a principle inclined in the direction of maximization of stakeholders' wealth.

Three factors exist that disturb the agent – principal relationship; conflicting interest regarding the principle and the agent, where agents may dispense the principles as they seek to maximize their own value. Asymmetry in information between the boss and the representative may lead to taking advantage of the other by either party to enrich themselves, and to ensuring that the agent complies with the principal's interests that create difficulty in monitoring the agent's efforts too expensive (Lane, Cannella & Lubatkin, 2018). Empirical and theoretical literature focuses on four problematic areas in agency association, include moral peril, gaining upkeep, and time horizon and risk avoidance. McColgan (2011) contends that the extent of each kind of organization struggle will vary starting with one firm then onto the next, as will the viability of governance mechanisms in decreasing them. As has been demonstrated, and afterward frequently addressed once.

The theory is relevant in entrenching governance practices as an essential monitoring device to ensure transparency by separation of power in the County Governments. The theory Advocates of agency theory argue that separation of the stipulating clear guidelines on agency conflict does maximize institutional performance since the managers are guided on do's and don'ts of using organizations resources for self-aggrandizement.

2.3 Empirical Review

The section presents the empirical review which looks in to the studies that have done before on internal controls, stakeholder participation, internal audit standards and transparency system on performance.

2.3.1 Internal Controls and Performance

Ochoge (2011) conducted a study on internal controls and organizational performance: a case of Medipont industries limited sought to establish a relationship between internal control and organizational performance of Medipoint Industries Limited. The study findings indicated that the internal controls used in Medipoint Industries Limited were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist.

Koitabu (2013) analyzed financial control as an integral part of financial management which is concerned with the acquisition, financing and management of assets with overall goal. The objectives of the study were to analyze the factors influencing financial control practice of CBOs in Baringo County, examine the influence of technical skills of CBO officials on financial control practice of CBO's in Baringo County. Analyze the influence of internal control systems and budgeting on financial control practices of CBOs in Baringo County. The study concluded that that there is need to lay on the internal control systems and budgeting as most of internal control systems and budgeting techniques have not reached the desired level. The researcher recommend that stakeholders including donors and government need to provide more training to have effective and efficient control.

Brian (2013) analyzed a system of effective control as a critical component of company management and a foundation for the safe and sound operation of an organization.

The study aims at evaluating internal controls which have been put in place by Kenya Revenue Authority and their impact on revenue collection. The study concluded that there is a direct correlation between the level of internal controls and the amount of revenue correction by KRA. The level of internal controls can be measured by the effectiveness of those controls. The research recommends that; future study should link KRA to level of compliance by tax payers to ascertain how the two relate in respect to each other. The study should also be done with comparison to other revenue bodies to recommend for other revenue collection measures. The researcher also recommended that top management hierarchy to be reviewed to curb duplication of duties which has been evidenced by the study.

Musya (2014) analysed the role played by internal control systems, with the aim of establishing the effect of internal controls on revenue collection in county governments. The study concluded county governments should recognize contributions of internal control systems. The study also recommend that the county government should apply internal control systems in their operations to effectively ensure that revenue collected meets the target set, further recommended that county governments should put in place internal control systems to realize set objectives with ease.

According to Shelton and Whittington (2018), control activities are the policies and procedures implemented by an organization to ensure that management's directives are carried out. These activities are often grouped into the three categories of objectives to which they relate, namely, operations, financial reporting, and compliance. He further argues that these control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties, segregation of duties and authority. The last component of internal control according to Reid and Ashelby (2018) is monitoring. This is aimed at ensuring that the internal controls continue to operate as intended. This can be achieved through ongoing

monitoring or separate evaluations. Separate evaluations are non-routine monitoring activities such as period audits by the internal auditors (Whittington & Kurt 2011). Generally, internal control is very important to the reliability of financial statements when the internal control system examined closely in timeliness.

Kiragu (2015) observed that thorough management controls are required to manage occupational fraud. Further, it is important that the combination of diverse policies and procedures which make up those controls respond effectively to management directives and are clearly stipulated in organizations policies and procedures. Holmes and Holmes (2012) argues that occupational fraud risks increased with ineffectiveness in written policies. According to Asembo (2017) control activities occur throughout the organization, at all levels and in all functions and include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Control activities usually complement each other and different types of control activities exist, such as preventive controls, detective controls, manual controls, computer controls and management controls (Dittenhofer, 2011).

Abdi (2015) investigated the impact of internal control system on financial performance in Mogadishu private banks. The demographic profile of the respondents was age, gender, qualification and experience. The main objectives were to assess the functionality of internal control systems in Mogadishu private banks and to examine financial performance of private banks in Mogadishu. The study was based on 33 target population especially Accountants, finance directors, chief cashiers, internal auditors and managers of private banks in Mogadishu. Descriptive analysis was used. The findings of this study revealed that majority of the private banks in Mogadishu had enough cash to meet its intended goals. In addition, there is a clear separation of duties. This study suggests that the internal auditors perform their duties fast, efficient and reliable. However, the study by Abdi

(2015) focused on private banks rather than county governments which is the focus of the current study.

2.3.2 Stakeholder Participation and Performance

Michels and de Graaf (2012) study on the harmonization of devolution systems sought to know the effect of the existence of multiple government funds and the duplication of roles with regard to stakeholder participation. The study established that these have largely prevented citizens from engaging in local governance. Citizens tend to get confused by the existing overlaps between the many agencies carrying out government functions. This makes it difficult for them to grasp all the processes involved in the administration of public funds. These overlaps also make it difficult for citizens to monitor and evaluate the performance of their government. Motwani and Klein (2016) found that the stakeholder ideal of governance is much useful to the developing states, as following the interest may aid to deal with the failure of markets in the economies of the developed states. Additionally, the main concern the corporate governance has is how successfully various governance structures govern the association with different stakeholders (Sarkar, 2013). Dirk and Achtenberg (2011) looked at the conservative stakeholder theory of corporate governance, which sees an institution as a nexus bond of agreements with various stakeholders, and they marked that the institution goal ought to reduce the interests of all shareholders. The outcomes recommend that study players take a great view of the corporate governance ideal, with respect of a great range of shareholders evident.

Stakeholder's participation links the three aspects and requires responsible leaders as well as the beneficiaries with a capability and competence of steering the firm to better heights. They have an ability of providing an enabling environment through which the citizens are able exercise their oversight functions and contribute innovative solutions to

shared problems (Reenen, 2011). Accordingly, Boyd (2015) posits that the corporate governance structure ought to perceive the privileges of stakeholders set up by law or through common understanding and support dynamic collaboration amongst companies and stakeholders in making riches, occupations and the manageability of financially stable enterprises. According to Kapopoulos and Lazaretou (2011), stakeholders' participation is vital in ensuring performance of a public entity. Mechanisms and control of the daily operations are vital and this is done through stakeholder's participation. The enhancement of participation is by ensuring members of the public are provided with a platform to exercise their oversight functions, ensuring innovative solutions are shared in solving development challenges and by ensuring that both individuals and groups of people are given responsibilities to that will enhance the success of identified projects.

Tamer (2015) highlights oversight functions by stakeholders enhances public sector performance. The study shows that members of the public in budgeting gives strategic insight on what needs attention with priorities. This is by ensuring effective communication to ensure the public understands the set point of action. To ensure that the members of the public participate fully in development then there is need therefore to conduct civic education units to educate citizens on their rights in the area development. Tan (2012) further points out that there should be consultations on issues affecting project performance in the county. Corporate governance has gotten more stress both in action and in academic research. This stress is expected, to some extent, to the pervasiveness of exceptionally exposed and deplorable financial revealing frauds, for example, Enron, WorldCom, Aldelphia, and Parmalat, a remarkable number of profit repetitions and cases of obtrusive income control by corporate administration (Knoeber, 2014). Further, academic research has discovered a relationship between limitations in governance subsequently of stakeholders none inclusion

and poor public funds management, income control, financial explanation extortion, and weaker inside controls.

Marriott and Marriott (2015) conducted a study on stakeholder involvement in the integrated water resource management in community water projects at the firm level. The study analyzed the involvement of youth in water resource management. It compared the results of the different methodologies used. The study established that institutions that used the stakeholder participatory approach in youth involvement had better chances of succeeding as opposed to those that did not. Kyereboah and Biekpe (2017) on the other hand examined the challenges of managing stakeholders and the impact of such challenges on the management of a project. The study found that the interests and roles of the key stakeholders were very critical to the operations. However, stakeholder management was found to be characterized by casual and ad-hoc actions and was predominantly not institutionalized. The following challenges were identified as those affecting the working of organizations; conflicting interests, poor commitment, unhealthy competition, limited interest, anti-stakeholder attitude by the management, entrenched positions, beliefs and practices, and lack of understanding and appreciation.

Ku and Jing (2012) carried out a study on stakeholder Involvement and sustainability as related to the performance of firm projects. The study focused on stakeholder involvement with the aim of improving firm project performance by achieving sustainability. The ideal of man in corporate governance is established on the fact that the management decides on the wellbeing of the public, ensuring that collectivist choices are put above own choices. Doing the right thing for the public encourages these types of people, as they believe that they will benefit at the end when the public needs are satisfied. Fox (2014) notes the risks brought about by the participation of people with different views and conflicting interests. This tends to slow down the decision-making process in the project. The assumption that stakeholder

participation helps improve the legitimacy of decisionmaking has also been questioned. Powerless people may not have the ability to participate fully and thus decisions made in participatory processes may become biased against them. Fiszbein and Ringold (2011) show that programmes and projects are guided by planning principles and operational concepts with key participants playing a major role in effecting the entire process.

Raffo, O'Connor, Lovatt and Banks (2016) posited that stakeholder participation also tends to reduce the accuracy of decisions made by the management. This is because it tends to dilute the impact of science on decisions made by the management. The respective principles define what programmes and projects are and indicate the importance of a quality programme and project team in overcoming technical problems. They also emphasize the importance of vertical communication between the programme and project managers on clear objectives and constraints. This stresses the need to involve key stakeholders in the decision making process. It also shows the essence of funding and staffing the project.

2.3.3 Internal Audit Standards and Performance

Cattrysse (2014) carried out a study investigating the role of internal auditors in organizations. The study found that internal auditors maintain the structure of organizations internal operations but also noted that the main problem facing the internal auditor is poor working conditions that create an unfavourable working environment. Kamere (2013) carried out a study on challenges faced in professionalizing the internal auditor's role in Kenya's industrial and Allied companies listed in the Nairobi Stock Exchange and established that the failure to realign skills to address new requirements, failure to conduct risk assessments by management, poor leveraging of ICT to attain efficiencies and failure to cope with diminished resources, affects the performance of internal auditors.

Ramsay (2012) highlighted that in modern times, a number of forces put together have led to a transformation of governments through the adoption of options meant to scale up their operations and through the enhancement of internal auditor's roles to higher levels in a bid to enhance accountability and transparency in the use of public resources. He further found that the internal audit function entailed evaluation and improvement of control of risks, internal controls and governance processes. Krishnan and Visvanathan (2013) sought to address the role of audit committees and internal auditors in their reporting to management about internal gaps after the passage of the Sarbenes Oxley Act (SOX). The study sampled 164 institutions where audit committee members were the respondents. The study revealed that in the frequent meetings by the internal audit committees, there were no clear responsibilities over effective reporting and over the reporting of fraud in organizations. Hack (2013) carried out a study on challenges facing internal auditors in 24 countries in Europe and found that main challenges facing internal auditors were the widening technical skills gap, corruption and lack of authority. The study also identified other challenges that hinder the effective functioning of internal auditors which included high costs of maintaining the function, reluctance to travel, cultural and language differences, failure to adhere to quality standards and limited knowledge on acceptable accounting standards, regulations and local laws. The study found that only 34% of the respondents were positive that internal auditors followed internal audit standards. The study recommended that institution should enhance internal audit competency.”

Dahir and Omar (2016) conducted a study on the effects of internal audit practice on organizational performance of remittance companies in Mogadishu, Somalia evaluated the effect of internal audit practice on organizational performance of remittance companies located in Mogadishu, Somalia. The target population of the study was remittance companies located in Bakara market. The sample size was 200 respondents selected by using Slog van's

formula. Data was collected through questionnaires set on Likert scale and analyzed using SPSS version 22. Internal audit independence, internal audit quality, internal control system and audit risk were the variables of internal audit used in the study. The findings indicated that there was a significant positive relationship between internal audit practice drivers and organizational performance of remittance companies in Mogadishu, Somalia.

Hung and Han (2010) conducted a study on the effectiveness of internal audit for listed firms in Taiwan. The authors used a sample of 210 listed manufacturing firms. Data was collected through a questionnaire which was mailed to the management, the head of the audited department, and the head of the internal audit department of each company. The findings revealed that management's attitude, controller's attitude, the probability of internal auditors' promotion, the implementation of performance evaluation, the establishment of the job description, and the training and professional abilities of the internal auditor were the factors that affect management's perceiving effectiveness. Moreover, the research highlighted the factors that affect the effectiveness of the head of the audit department. These include internal auditor professional abilities, and the combination of organization formalization and professional abilities. Besides, the study further investigated factors that affect the progress of annual audit plan. These were: management's attitude, controller's attitude, the organization position of internal audit department in a company, the probability of internal auditor's promotion, the implementation of performance evaluation, the establishment of job description, the training and professional abilities of internal auditor, and the combination of organization formalization and the professional abilities.

Ahmad (2017) conducted a study on auditors' compliance with International Standards in Audit examined the degree of compliance of Jordanian auditors with ISA. It was found that Jordanian auditors complied with all audit standards due to strict conditions and requirement of Jordanian Laws wherein the audit profession should be assigned to a Certified

Public Accountant (CPA) as well as imposing strict legal liabilities. The study recommended that there should be more attention by auditors and institutions regulating the audit profession in Jordan towards compliance with audit standards, especially those concerning internal audit and imposing on auditor's responsibility to detect fraud in financial transactions and statements at the appropriate stage.

Kibet (2018) concluded that the internal audit function played a role in corporate governance. The limitations of the study were time constraints, restriction to state owned corporations and having to make prior arrangement in order to meet the heads. Recommendations of further study were effectiveness and contribution of internal audit in promoting corporate governance for companies listed in the NSE. Additionally, a study on the influence of internal audit and financial performance was recommended. Kibara (2017) conducted a survey of internal auditor's risk management practices in the banking industry in Kenya. The study sought to establish banks' internal auditors' perception of their distinct role in the bank wide ERM process, and whether there was any conflict between internal audit and the risk management departments being established to take over the ERM process. Bank internal auditors' risk assessment practices in Kenya were also probed. To achieve the objectives set, a survey involving all heads of internal audit departments in the banking industry in Kenya was conducted. Data analysis was done, and out of the 27 banks sampled, 14 returned responses and with this response rate of 52%, it was concluded that the outcome of the study fairly represented the banking industry internal auditors' practices and perception of risk management.

Mawanda (2018) conducted a research on effects of internal control systems on financial performance in institution of higher learning Uganda. In his study he investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at

from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The study established a significant relationship between internal control system and financial performance. The investigation recommends competence profiling in the Internal Audit department which should be based on what the University expects the internal audit to do and what appropriate number staff would be required to do this job. The study therefore acknowledged role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Olumbe (2012) conducted a study to establish the relationship between internal controls and corporate governance in commercial banks in Kenya. The researcher conducted a survey of all the 45 commercial banks in Kenya. It was concluded that most of the banks had incorporated the various parameters which are used for gauging internal controls and corporate governance. This was indicated by the means which were obtained enquiring on the same and this showed that the respondents agreed that their banks had instituted good corporate governance with a strong system of internal controls and that there is a relationship between internal control and corporate governance. A study conducted by Wainaina (2011) examined the internal control function. He established that, other than the prevention and detection of fraud, internal controls should reflect the strength of the overall accounting environment in an organization as well as the accuracy of its financial and operational records.

Mbuti (2014) assessed factors that influence the internal controls in ensuring good corporate governance in financial institutions in developing economies. The research paper assessed how lack of internal controls affected good corporate governance and aimed to bring

out elements of good corporate governance. It emerged that failure to effectively implement internal controls contributed significantly to poor corporate governance. The study discovered that internal control system controlled directors who contributed to poor corporate governance.

2.3.4 Transparency and Performance

Wood and Sangster (2015) found that firms with higher corporate governance quality make more informative disclosures. Transparency is integral to corporate governance. Full disclosure and transparency of financial information are vital components of corporate governance framework (OECD, 2019) and are regarded as important indicators of corporate governance quality. Coleman (2016) provides both theoretical and empirical evidence that the public sharing of financial and analyst reports has enhanced factor productivity and economic growth in 30 countries. Higher transparency reduces the information asymmetry between a firm management and financial stakeholders mitigating the agency problem in corporate governance (Wanyama, 2019).

According to Schoorman and Donaldson (2011), understandable, relevant, transparent, reliable, timely and full disclosure of the results of economic activities and the structural processes used in organizational units entrusted to operate in the stakeholder's interest, gives the stakeholders a true and fair view of the firm and the quality of the corporate governance standards it follows. In this sense, good transparency and disclosure mechanisms are set in place to essentially protect the rights of the minority shareholders, creditors and other outsiders who do not have firsthand knowledge about the firm and its prospects. According to Hambrick and Jackson (2019), this in turn is expected to minimize the informational asymmetry in the firm and the probability of fraud, enhancing its detection thus leading to lower cost of capital and hence higher firm value. A related informational

advantage of good transparency and disclosure practices is that it increases investor awareness and trust which will reduce the uncertainty of the returns of the capital suppliers which, again, is expected to reduce the firms cost of external capital and hence increase its value.

According to Mutua (2015), the third advantage is that compliance to good transparency and disclosure practices mitigates the political costs of non-compliance and hence reduces the risk of higher taxes, litigation and too much regulation. Transparency, disclosure, and trust which constitute the integral part of corporate governance can provide pressure for improved financial performance. Financial performance, present and prospective is a benchmark for investment. The Mckinsey quarterly surveys (2018) suggest that institutional investors will pay as much as 28% more for the shares of well governed companies in emerging markets. According to the corporate governance survey 2017, carried out by the Kuala Lumpur stock exchange and accounting firm Price Water House Coopers, the majority of investors in Malaysia are prepared to pay 20% premium for companies with superior corporate governance practices.

Jullobal and Sartmool (2014) evaluated the effect of firm performance on voluntary disclosure in annual reports for the period of 5 years from 2009-2013, a total of 34 companies were studied. Secondary data were collected and analyzed through random effect tobit regression. The results showed that firm performance have significant effect on voluntary disclosure. More also disaggregating the analysis by classifying data into strategic information, non- financial information and financial information revealed that voluntary disclosure of strategic information and non- financial information are influenced by firm performance, while disclosure of financial information is not. The findings of the above study cannot be generalized due to the fact that pre and post diagnostic analysis of the properties of

the data were not tested before conducting the regression, this could lead to spurious regression and therefore affect the overall result of the study.

Madhani (2017) discusses the role of voluntary disclosure and transparency in financial reporting and highlights risks and costs associated with voluntary disclosure. The study claims that, voluntary disclosure practices increase investor awareness and trust, reducing the uncertainty of the returns to the capital suppliers which is expected to reduce the firm's cost of external capital to increase its value. Disclosure practices mitigate the political costs of non-compliance and reduce the risk of higher taxes, litigation and too much regulation. Adiloglu and Vuran (2012) investigate the transparency levels of financial information disclosures in corporate governance reports and annual reports are calculated by establishing a transparency checklist for the year 2010. Manova analysis is employed to investigate the relationship between the transparency levels and financial performance indicators. The results indicate that transparency level is statistically significant with return on asset, total debt / total assets, longterm debt / total assets and corporate governance index variables.

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the data were not tested before conducting the regression, this could lead to spurious regression and therefore affect the overall result of the study.

Cunha and Mendes (2017) examined the effect of financial performance on voluntary disclosures between the period of 2005 and 2011 using a sample that comprises of 263 observations. Secondary data was collected from annual reports of the companies for the years 2005 and 2011. The study made use of an ordinal logistics model to explore the financial determinants of voluntary information disclosures. The findings suggest that there is an inverse relationship between voluntary corporate governance disclosures and financial performance, more also that firm size and growth opportunities had a significant and positive effect on voluntary corporate governance disclosures while financial leverage negatively affect voluntary corporate governance disclosures. The limitation of the above findings is that the subjectivity involved in the construction of corporate governance index was not tackled as the perception of users of financial statements was not captured in formulation of the corporate governance index.

Hsiu (2016) investigated role of financial information transparency in increased investment in stock exchange. Results showed that all three aspects of transparency including financial information disclosure, ownership structure transparency and transparency of the board structure, affect behavior of investors in stock exchange, and ownership structure had the highest influence. Of course, investors in stock exchange mostly care for financial information disclosure.

2.4 Research Gap

From the literature reviewed, it is clear from different authors that traditionally county governments were not keen with governance strategies. However, from the literature we observe that they instead should be embraced. More can be gained by embracing

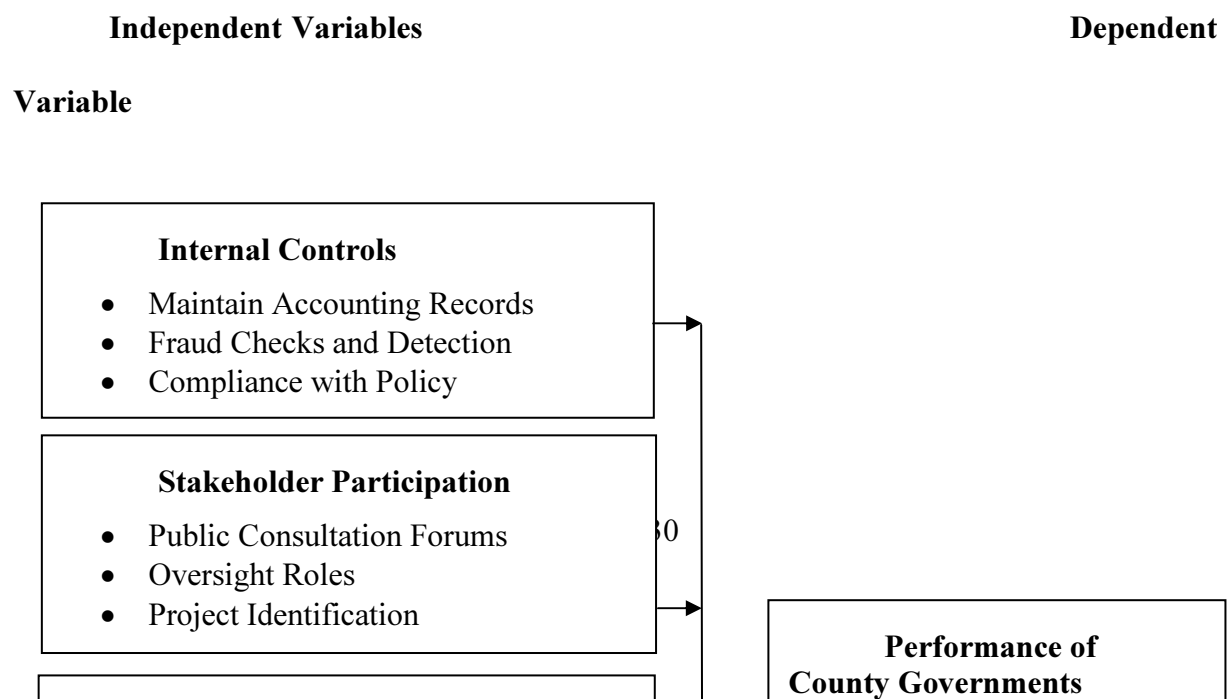
governance practices. The literature reviewed clearly showed that the concept of governance in county governments in Kenya majorly concentrated on corporate governance in the private sector while there also exist the public sector side. The current study hence attempts to elaborate further on these. The literature notwithstanding, it is clear that no detailed study has been carried out locally to specifically determine the role of governance variables such as; internal controls, stakeholder participation, internal audit standards and transparency play in performance of county governments in Kenya. None of those studies carried out so far have focused on corporate governance and its role in performance especially in the developing countries and more so the public sector in Kenya. These constitute the research gaps that this research study will investigate and quantify to understand the influence of governance practices on performance of county governments in Kenya.

2.5 Conceptual Framework

A conceptual framework is a scheme of concepts which the research operationalizes in order to achieve set objectives (Chakraborty, 2017). It shows how a research conceptualizes the relationship between the variables in the study and shows such relationship (Kothari, 2012).

FIGURE 1

Conceptual Framework



The independent variables are internal controls, stakeholder participation, internal audit standards and transparency. The dependent variable was the performance of County Governments.

2.6 Operationalization of Study Variables

The measurement of the independent and the dependent variables is as shown in the operationalization Table 1.

TABLE 1

Operationalization of Variables

Variables	Operational Indicators	Measure	Type of Scale
Internal Controls	<ul style="list-style-type: none"> • Maintain Accounting Records • Fraud Checks and Detection • Compliance with Policy 	5-point Likert Type Scale	Interval Scale
Stakeholder Participation	<ul style="list-style-type: none"> • Public Consultation Forums • Oversight Roles • Project Identification 	5-point Likert Type Scale	Interval Scale

Internal Audit Standards	<ul style="list-style-type: none"> • Independence • Objectivity • Authority 	5-point Likert Type Scale	Interval Scale
Transparency	<ul style="list-style-type: none"> • Financial Reporting • Feedback Mechanisms • Access to Information 	5-point Likert Type Scale	Interval Scale
Performance	<ul style="list-style-type: none"> • Timely Delivery • Cost Reduction • Customer Satisfaction 	5-point Likert Type Scale	Interval scale

2.7 Summary of Literature

From the above studies, it can be noted that many scholars have theorized and established a model in which policy makers and managers make their decisions on governance practices. The current study has been anchored on theory of financial control, stakeholder theory, agency theory and stewardship theory. It further generates constructs which forms the conceptual framework on which the study was anchored. The study operationalizes the variables through a rigorous examination of relevant literature which forms a firm foundation for the empirical study and contextualization of the research problem. There have been a number of empirical studies on governance strategies and most of them concentrated on the corporate governance in the private sector and some countries in Africa like Ghana, Nigeria and Malaysia. These studies provided further research gap as from the theoretical and empirical review, it is evident that governance practices in public sector has not been expounded at length and hence this forms a fertile ground for the academicians to explore on in their studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in data collection and analysis. Specifically, it presents the research design, target population, sampling procedure, data collection instrument, reliability and instrumentation, data collection, data analysis methods and Research ethics.

3.2 Research Design

Research design refers to a plan outlining how information is gathered in identifying the data collection methods, the instruments to be used, how the instruments was administered, and how the information was organized and analyzed (Kisilu *et al.* 2016). The study employed descriptive research design, as it is quantitative research. This quantitative research was used to describe the characteristics of the study variables. The study adopted a descriptive research design since the study gathered quantitative data that describes the nature

and characteristics of the influence of governance practices on performance of county governments in Kenya.

3.3 Target Population

A population is the total of all the individuals or items that have certain characteristics which are of interest to a researcher. Kasomo (2011) describes target population as a complete set of individual cases object with some common characteristics to which researchers want to generalize the result of the study. The target population was the heads of department, chief officers and members of Machakos County Assembly. Therefore a total of 100 respondents was used as shown in Table 2.

TABLE 2
Target Population

Stratum	Population	Percentage %
Heads of Department	34	95%
Chief Officers	25	98%
Members of County Assembly	43	80%
Total	102	100

Source: County Government of Machakos (2021)

3.4 Sampling Procedure

This study used census technique where the entire population of 100 respondents was used in the study. This was all heads of departments, chief officers and members of county assembly. According to McMillan and Schumacher (2014), census is a study where all members, objects or things in the population take part in the research. Census technique is suitable when the levels of accuracy and reliability required in the study are very high

(Blumberg, Cooper & Schindler, 2014). Additionally, census is preferred when the members of the population are few. Unlike a sample survey, in which only a subset of the elements is selected for inclusion and enumeration, a census generally does not suffer from sampling error (Rominger, 2018).

3.5 Research Instrument

Primary data was collected using questionnaire. The questionnaires was administered through the use of online questionnaires and drop and pick later method. The online and pick up later method are preferred due to convenience of the respondents. According to Blumberg, Cooper and Schindler (2014), the use of structured questions on the questionnaire allowed for uniformity of responses to questions.

The questionnaire was in 2 sections. Section A contained demographic information and section B questions to capture perception governance practices. The key variables include the independent variables, which are internal controls, stakeholder participation, internal audit standards and transparency. The use of questionnaire ensured collection of data from many respondents within a short time and respondents was free to give relevant information because they was assured of their anonymity as indicated by Dalati and Gómez (2018) and Rominger (2018).

3.6 Pilot Study

The purpose of the pilot test was to refine the questionnaire so that respondents have no problems in answering the questions and thus eliminate problems in recording the data. In addition, it enables obtain assessment of the question's validity and reliability before engaging in the main data collection. Preliminary analysis using the pilot test data can be undertaken to ensure that the data collected enables the investigative questions to be

answered (Saunders, Lewis & Thornhill 2012). According to Mugenda and Mugenda (2003), a pretest sample ranges from 1% to 10% depending on the sample size.

In this study, 10% of the sample size was used for the pilot test. Given the sample size is 100, 10 questionnaires which represents 10% of the sample size was piloted by issuing them to respondents who were not be included in the final study sample. Therefore, 10 questionnaires was piloted in Nairobi County, which provide similar characteristics with Machakos County.

3.7 Validity and Reliability of Research Instrument

Saunders, Lewis and Thornhill (2012) states that validity is the accuracy and meaningfulness of inferences, which are based on the research results. To ensure content validity, the questionnaire was subjected to thorough examination on some randomly selected project supervisors. They was asked to evaluate the statements in the questionnaire for relevance. Reliability is the consistency of a set of measurement items (Cronbach, 1951). Cronbach’s alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1995). The study used a 10% of the sample size was used for the pilot test. Therefore, 10 questionnaires was piloted by issuing them to respondents who were not included in the final study sample. The questionnaire response was entered into statistical package for social sciences (SPSS) and Cronbach’s alpha coefficient was generated to assess reliability. The closer Cronbach’s alpha coefficient was to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 was used as recommended by Cronbach (1951). The results are as shown in Table 3.

TABLE 3

Reliability Test

Variables	Items	Cronbach
------------------	--------------	-----------------

		Alpha
Performance	9	0.771
Internal Controls	9	0.871
Stakeholder Participation	9	0.741
Internal Audit Standards	9	0.812
Transparency	9	0.853

The results indicated that the statements under Performance (0.771), Internal Controls (0.871), Stakeholder Participation (0.741), Internal Audit Standards (0.812), and Transparency (0.853) had a Cronbach alpha of above 0.7 and thus the statement were considered reliable.

3.8 Data Collection Procedure

Data collection refers to acquisition of subjects and collection of information needed for an investigation; techniques of collection varied depending on the research design, (Kothari, 2012). Primary data was used for this study and was collected by using a structured questionnaire. The study used online surveys to collect data. Dropping of questionnaires to the respondents was also done. Further, scheduled phone calls was used to follow-up on the questionnaires response progress from the respondents.

3.9 Diagnostic Tests

The study conducted normality test, multicollinearity and heteroscedasticity. The diagnostics was conducted so as to avoid doing regression analysis with spurious results.

3.9.1 Multicollinearity

Multicollinearity refers to a situation in which more than two explanatory variables in a multiple regression model are highly linearly related. Multicollinearity was tested using variance inflation factor VIF. Multicollinearity was found present if VIF value is above 10. This is according to Bryman and Bell (2013) who indicated that where $VIF \geq 10$ indicate presence of Multi-collinearity. Where the values are above 10, multicollinearirty was corrected by removing the highly correlated independent variables.

3.9.2 Heteroscedasticity

According to Williams (2016), heteroscedasticity gives equal weight to all observations and causes the standard errors to be discriminated and consequently results in an incorrect conclusion when testing the hypothesis. Breusch-Pagan was used to check for existence of heteroscedasticity in the data collected. The rule of the thumb is that the data is homoscedastic and was tested at 0.05 significance level. If the p-value is larger than the critical 0.05, then we concluded that the data does not suffer from heteroscedasticity.

3.9.3 Normality test

The assumption of normality enables one to make accurate statistical inferences from test of hypothesis (Field, 2009). This study used the Jarque-Bera test statistic (Bera & Jarque, 1982) to test for the normality of the residuals. The rule of thumb is that the data is normal. If the p-value was above the critical 0.05, then we concluded that the data is normally distributed.

3.10 Data Processing and Analysis

Data analysis according to Kothari (2012) involves a number of closely related operations which are performed with the purpose of summarizing the collected data and organizing them in such a manner that they answer the research questions. Before the actual

analysis of data using SPSS, data was cleaned, edited, checked for accuracy and coded. Data was analyzed using descriptive and inferential statistics. Quantitative data collected using a questionnaire was analyzed by the use of descriptive statistics using the Statistical Package for Social Sciences (SPSS) and was presented through percentages, means, standard deviations and frequencies. A regression model was used to establish the effect of influence of governance practices on performance of County Governments. This helped to evaluate the relationships between the dependent and independent variables of the study. The regression was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where;

Y = Performance County Governments

X₁ = Internal Controls

X₂ = Stakeholder Participation

X₃ = Internal Audit Standards

X₄ = Transparency

β₀ = Constant Term;

β₁, β₂, β₃, β₄ = Beta coefficients; ε = Error Term.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter focused on data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

4.1 Response Rate

The response rate was analyzed to show the representative from the sample size. A response rate is very important to the credibility of the research results. A low response rate may decrease the statistical power of the data collected and undermine the reliability of the results. It may also undermine the ability of the researcher to generalize the results to the larger target audience. This is further complicated by the fact that a low response rate can be indicative of a non-response bias within the sample. A low response rate can give rise to sampling bias if the non-response is unequal among the participants regarding exposure and/or outcome. The study administered 102 questionnaires and the results are as shown in Table 4.

TABLE 4: Response Rate

Response	Frequency	Percent
Returned	98	96.07%
Unreturned	4	3.93%
Total	102	100%

Source: Field Survey Data (2021)

According to Mugenda and Mugenda (2003) and Kothari (2004), a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable, 60% is good and 70% is very good. Thus, the response rate of 96.07% under this study was very good for study.

4.2 Demographic Characteristics

This section consists of information that describes basic characteristics including gender, age, highest level of education and the active duration in County Government.

4.2.1 Gender

The respondents were asked to indicate their gender and the results are as shown in Figure 2

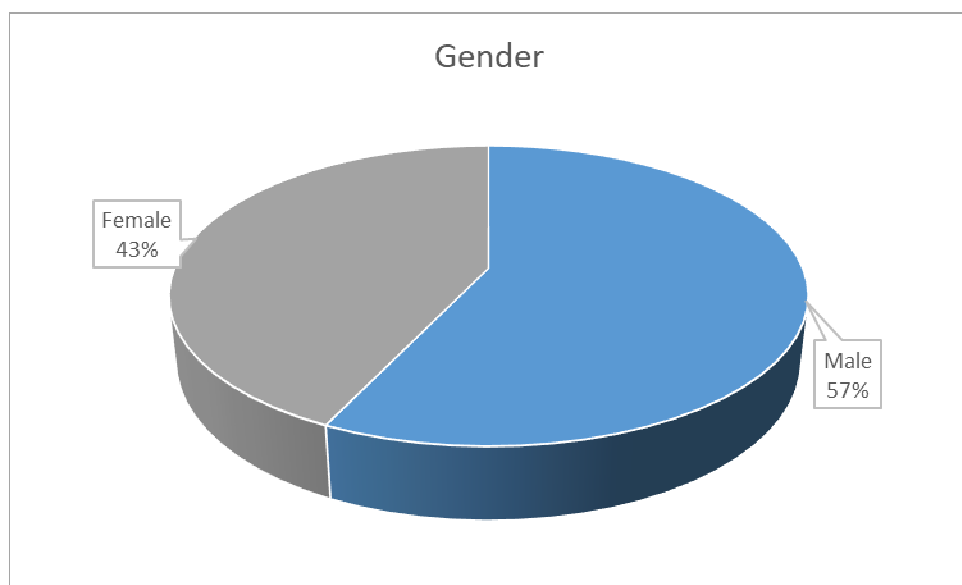


FIGURE 2

Gender of Respondents

Source: Field Survey Data (2021)

The results show that majority of the respondents were men who represented 57% of the sample while 43 were female. This indicated that the composition of the heads of

department, chief officers and members of County Assembly in Machakos County had more male than female staff representation.

4.2.2 Age

The respondents were asked to indicate their age bracket and the results are as shown in Table 5.

TABLE 5

Age of Respondents

Age	Frequency	Percentage
18-30 years	7	7.1%
31-40 years	29	29.6%
41-50 years	44	44.9%
Above 50 years	18	18.4%

Source: Field Survey Data (2021)

Results indicated that most of the respondents were aged between 41-50 years represented by 44.9% and they were followed by 31- 40 years at 29.6%. Those with above over 50 years were at 18.4%. The least was those at 18-30 years at 7.1%. This indicated that the department, chief officers and members of County Assembly in Machakos County were middle and above middle age level.

4.2.3 Level of Education

The respondents were asked to indicate their highest level of education and the results are as shown in the Table 6.

TABLE 6**Highest Level of Education**

Highest Level of Education	Frequency	Percent
Diploma level	7	7.1%
Bachelor's Degree level	52	53.1%
Master level	35	35.7%
PhD level	4	4.1%

Source: Field Survey Data (2021)

The results indicated that most of the respondents had attained a Bachelor's Degree level and this was represented by 53.1% followed by those with Masters level at 35.7%. Further, those who had Diploma were at 7% and the respondents who had PhD level was the least with 4%. The level of education outcomes suggest that, the respondents were adequately educated and that they able to comprehend to the questions raised and give substantial reaction since they would be advised to understanding as guided by their level of instruction which for this situation majority share having graduate as their education level.

4.2.5 Duration

The respondents were asked to indicate their duration in the County Government and the results are as shown in the Table 7.

TABLE 7

Duration

Duration	Frequency	Percent
Below 2 years	9	9.2%
3- 5 years	57	58.2%
6- 9 years	32	32.7%

Source: Field Survey Data (2021)

The results indicated that most had been in the County Government for 3- 5 years as represented by 58.2% and followed by 6- 9 years represented by 32.7%. The more the duration of work in the likely to reflect on more expertise with in the County Government.

4.3 Descriptive Statistics

This section presents the descriptive results on internal controls, stakeholder participation, internal audit standards and transparency system and performance of county governments. For purposes of presentation, the results for strongly (5) agree and agree (4) were combined as agree while strongly disagree (1) and disagree (2) were combined as disagree.

4.3.1 Internal Controls

The first objective of the study was to determine the influence of internal controls on the performance of county governments in Kenya. The study evaluated the respondents' level of agreement with the various statements on the internal controls using a scale of 1 – 5 where

5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 8.

TABLE 8
Descriptive Statistics Outputs on Internal Controls

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Maintaining accounting records play a significant role in timely delivery	4.3%	4.1%	3.1%	43.9%	44.9%	4.21	0.987
Fraud checks and detection play a significant role in timely delivery	5.1%	0.0%	4.4%	45.9%	44.9%	4.26	0.945
Compliance with policy plays a significant role in timely delivery	2.0%	1.0%	4.1%	52.0%	40.8%	4.29	0.773
Maintaining accounting records play a significant role in cost reduction	2.6%	3.1%	3.1%	52.0%	39.8%	4.24	0.826
Fraud checks and detection play a significant role in cost reduction	2.3%	1.4%	5.2%	51.0%	41.8%	4.29	0.773
Compliance with policy plays a significant role in cost reduction	6.1%	4.1%	2.0%	38.8%	49.0%	4.2	1.093
Maintaining accounting records play a significant role in attaining higher customer satisfaction	2.0%	5.1%	6.1%	46.9%	39.8%	4.17	0.908
Fraud checks and detection play a significant role in attaining higher customer satisfaction	6.1%	2.0%	3.1%	42.9%	45.9%	4.2	1.045
Compliance with policy plays a significant role in attaining higher customer satisfaction	2.2%	2.0%	5.1%	50.0%	42.9%	4.34	0.673
Average						4.24	0.891

On internal controls on in the County Government, the respondents were asked if maintaining accounting records play a significant role in timely delivery and 88.8% agreed while 8.4% disagreed with the statement. The respondents were asked if fraud checks and detection play a significant role in timely delivery and 90.8% agreed while 5.1% disagreed with the statement. On whether, compliance with policy plays a significant role in timely

delivery, 92.8% agreed while 3.0% disagreed with the statement. The respondents were asked if maintaining accounting records play a significant role in cost reduction where 91.8% agreed while 5.7% disagreed with the statement. On whether fraud checks and detection play a significant role in cost reduction, 92.8% agreed while 3.7% disagreed with the statement.

The respondents were asked if compliance with policy plays a significant role in cost reduction and 87.8% agreed while 10.2% disagreed with the statement. On whether maintaining accounting records play a significant role in attaining higher customer satisfaction, 86.7% agreed while 7.1% disagreed with the statement. The respondents were asked if fraud checks and detection play a significant role in attaining higher customer satisfaction and 88.8% agreed while 8.1% disagreed with the statement. Lastly, the respondents were asked if compliance with policy plays a significant role in attaining higher customer satisfaction and 92.9% agreed while 4.2% disagreed with the statement. The overall mean was 4.24 that showed that majority agreed to the statements on internal controls with variations of 0.891.

4.3.2 Stakeholder Participation

The second objective of the study was to determine the influence of Stakeholder Participation on the performance of county governments in Kenya. The study evaluated the respondents' level of agreement with the various statements on the Stakeholder Participation using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 9.

TABLE 9**Descriptive Statistics Outputs on Stakeholder Participation**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Public consultation forums plays a significant role in timely delivery	3.6%	6.1%	4.1%	41.8%	44.9%	4.19	0.991
Oversight roles plays a significant role in timely delivery	5.1%	2.0%	4.1%	45.9%	45.0%	4.26	0.945
Project identification plays a significant role in timely delivery	5.5%	4.1%	0.0%	44.9%	45.9%	4.22	1.021
Public consultation forums plays a significant role in cost reduction	2.0%	3.1%	4.1%	49.0%	41.8%	4.26	0.841
Oversight roles plays a significant role in cost reduction	4.1%	3.2%	4.1%	42.9%	45.9%	4.23	0.972
Project identification plays a significant role in cost reduction	5.3%	6.1%	4.2%	39.8%	44.9%	4.13	1.09
Public consultation forums plays a significant role in attaining higher customer satisfaction	4.1%	7.1%	2.0%	42.9%	43.9%	4.15	1.049
Oversight roles plays a significant role in attaining higher customer satisfaction	4.1%	5.5%	3.1%	39.8%	48.0%	4.22	1.021
Project identification plays a significant role in attaining higher customer satisfaction	1.0%	5.1%	4.2%	48.0%	41.8%	4.24	0.838
Average						4.21	0.974

On stakeholder participation in the County Government, the respondents were asked if public consultation forums plays a significant role in timely delivery and 86.7% agreed while 9.7% disagreed with the statement. The respondents were asked if oversight roles plays a significant role in timely delivery and 90.9% agreed while 7.1% disagreed with the statement. On whether project identification plays a significant role in timely delivery, 90.8%

agreed while 9.6% disagreed with the statement. The respondents were asked if public consultation forums plays a significant role in cost reduction and 90.8% agreed while 5.1% disagreed with the statement. On whether the oversight roles plays a significant role in cost reduction, 88.8% agreed while 7.3% disagreed with the statement. The respondents were asked if project identification plays a significant role in cost reduction and 84.7% agreed while 11.4% disagreed with the statement. On whether public consultation forums plays a significant role in attaining higher customer satisfaction, 86.8% agreed while 11.2% disagreed with the statement. The respondents were asked if oversight roles plays a significant role in attaining higher customer satisfaction and 87.8% agreed while 9.6% disagreed with the statement. Lastly, the respondents were asked if project identification plays a significant role in attaining higher customer satisfaction and 89.8% agreed while 6.1% disagreed with the statement. The overall mean was 4.21 that showed that majority agreed to the statements on stakeholder participation with variations of 0.974.

4.3.3 Internal Audit Standards

The third objective of the study was to determine the influence of Internal Audit Standards on the performance of county governments in Kenya. The study evaluated the respondents' level of agreement with the various statements on the Internal Audit Standards using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 10.

TABLE 10

Descriptive Statistics Outputs on Internal Audit Standards

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Independence plays a significant role in timely delivery	4.6%	1.0%	4.1%	43.9%	46.9%	4.29	0.919
Objectivity plays a significant role in timely delivery	5.1%	2.0%	2.0%	51.0%	39.8%	4.18	0.967
Authority plays a significant role in timely delivery	3.4%	5.1%	2.0%	37.8%	52.0%	4.31	0.968
Independence plays a significant role in cost reduction	5.1%	2.0%	2.2%	51.0%	39.8%	4.18	0.967
Objectivity plays a significant role in cost reduction	3.2%	6.1%	4.1%	42.9%	43.9%	4.18	0.988
Authority plays a significant role in cost reduction	6.1%	2.0%	3.1%	37.8%	51.0%	4.26	1.058
Independence plays a significant role in attaining higher customer satisfaction	3.7%	3.1%	3.1%	52.0%	38.8%	4.2	0.885
Objectivity plays a significant role in attaining higher customer satisfaction	2.0%	3.4%	2.0%	60.2%	32.7%	4.18	0.791
Authority plays a significant role in attaining higher customer satisfaction	3.1%	3.1%	2.0%	53.1%	38.8%	4.21	0.876
Average						4.22	0.935

On internal audit standards in the County Government, the respondents were asked if independence plays a significant role in timely delivery and 90.8% agreed while 5.6% disagreed with the statement. The respondents were asked if objectivity plays a significant role in timely delivery and 90.8% agreed while 7.1% disagreed with the statement. On whether, authority plays a significant role in timely delivery, 89.8% agreed while 8.5% disagreed with the statement. The respondents were asked if independence plays a significant role in cost reduction and 90.8% agreed while 7.1% disagreed with the statement. On whether

objectivity plays a significant role in cost reduction, 86.8% agreed while 9.3% disagreed with the statement.

The respondents were asked if authority plays a significant role in cost reduction and 88.8% agreed while 8.1% disagreed with the statement. On whether independence plays a significant role in attaining higher customer satisfaction, 90.8% agreed while 6.8% disagreed with the statement. The respondents were asked if objectivity plays a significant role in attaining higher customer satisfaction and 92.9% agreed while 5.4% disagreed with the statement. Lastly, the respondents were asked if authority plays a significant role in attaining higher customer satisfaction and 91.9% agreed while 6.2% disagreed with the statement. The overall mean was 4.22 that showed that majority agreed to the statements on Internal Audit Standards with variations of 0.935.

4.3.4 Transparency

The fourth objective of the study was to determine the influence of Transparency on the performance of county governments in Kenya. The study evaluated the respondents' level of agreement with the various statements on the Transparency using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 11.

TABLE 11**Descriptive Statistics Outputs on Transparency**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Financial reporting plays a significant role in timely delivery	3.1%	1.0%	5.1%	51.0%	39.8%	4.23	0.847
Feedback mechanisms plays a significant role in timely delivery	6.1%	6.1%	5.1%	40.8%	41.8%	4.06	1.129
Access to information plays a significant role in timely delivery	9.2%	10.2%	1.0%	43.9%	35.7%	3.87	1.265
Financial reporting plays a significant role in cost reduction	5.1%	10.2%	3.1%	40.8%	40.8%	4.02	1.149
Feedback mechanisms plays a significant role in cost reduction	2.0%	3.1%	3.1%	43.9%	48.0%	4.33	0.847
Access to information plays a significant role in cost reduction	5.1%	7.1%	5.1%	48.0%	34.7%	4	1.075
Financial reporting plays a significant role in attaining higher customer satisfaction	4.1%	8.2%	4.1%	43.9%	39.8%	4.07	1.067
Feedback mechanisms plays a significant role in attaining higher customer satisfaction	4.1%	5.1%	4.1%	40.8%	45.9%	4.19	1.022
Access to information plays a significant role in attaining higher customer satisfaction	3.1%	6.1%	3.1%	45.9%	41.8%	4.17	0.974
Average						4.10	1.042

On transparency in the County Government, the respondents were asked if financial reporting plays a significant role in timely delivery and 90.8% agreed while 4.1% disagreed with the statement. The respondents were asked if feedback mechanisms plays a significant role in timely delivery and 82.6% agreed while 12.2% disagreed with the statement. On whether access to information plays a significant role in timely delivery, agreed 79.6% while 19.4% disagreed with the statement. The respondents were asked if financial reporting plays a significant role in cost reduction and 81.6% agreed while 15.3% disagreed with the

statement. On whether feedback mechanisms plays a significant role in cost reduction, 91.9% agreed while 5.1% disagreed with the statement.

The respondents were asked if access to information plays a significant role in cost reduction and 82.7% agreed while 12.2% disagreed with the statement. The respondents were asked if financial reporting plays a significant role in attaining higher customer satisfaction and 83.7% agreed while 12.3% disagreed with the statement. On whether feedback mechanisms plays a significant role in attaining higher customer satisfaction, 86.7% agreed while 9.2% disagreed with the statement. Lastly, the respondents were asked if access to information plays a significant role in attaining higher customer satisfaction and 87.7% agreed while 9.2% disagreed with the statement. The overall mean was 4.10 that showed that majority agreed to the statements on Transparency with variations of 1.042.

4.3.5 Performance

The dependent objective of the study was performance of county governments in Kenya. The study evaluated the respondents' level of agreement with the various statements on the performance using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 12.

TABLE 12

Descriptive Statistics Outputs on Performance

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Our administration costs have decreased over the years	5.2%	9.2%	5.1%	38.8%	41.8%	4.03	1.144
Service delivery period has decreased	5.6%	8.2%	10.2%	46.9%	29.6%	3.88	1.087
Our internal control system have improved	6.1%	5.1%	6.1%	35.7%	46.9%	4.12	1.133
The time we spend in meetings has decreased	4.3%	12.2%	7.1%	38.8%	37.8%	3.94	1.147
Our records processing system has improved	6.8%	5.1%	4.1%	48.0%	36.7%	4.04	1.083
Time taken reporting to members has decreased	8.2%	10.2%	5.1%	41.8%	34.7%	3.85	1.238
Our compliance costs have decreased	10.2%	6.1%	8.1%	36.8%	37.8%	3.88	1.27
Member involvement in decision-making in our plan has increased	8.2%	6.1%	6.1%	40.8%	38.8%	3.96	1.201
Average						3.96	1.163

Under performance, the respondents were asked if the administration costs have decreased over the years and 80.6% agreed while 14.4% disagreed with the statement. The respondents were asked if service delivery period has decreased and 76.5% agreed while 13.8% disagreed with the statement. On whether the internal control system have improved, 82.6% agreed while 11.2% disagreed with the statement. The respondents were asked if the time we spend in meetings has decreased and 76.6% agreed while 16.5% disagreed with the statement. On whether the records processing system has improved, 84.7% agreed while 11.9% disagreed with the statement. The respondents were asked if time taken reporting to members has decreased and 76.5% agreed while 18.4% disagreed with the statement. The respondents were asked if their compliance costs have decreased and 74.6% agreed while

16.3% disagreed with the statement. Lastly, the respondents were asked if member involvement in decision-making in our plan has increased and 79.6% agreed while 14.3% disagreed with the statement. The overall mean was 3.96 that showed that majority agreed to the statements on Transparency with variations of 1.163.

4.4 Diagnostic Tests

The diagnostic tests conducted included Multicollinearity Test, Test for Heteroscedasticity and Normality Test.

4.4.1 Multicollinearity Test

Multicollinearity test was conducted to determine if two or more of the predictor (independent) variables in the regression model was highly correlated. Variance inflation factor (VIF) were used to test multicollinearity and VIF of below 10 indicated acceptable limits. If the VIF value of exploratory variables are greater than 10, then variables were regarded as highly collinear.

TABLE 13

Multicollinearity Test Using Tolerance and VIF

	Collinearity Statistics	
	Tolerance	VIF
Internal Controls	0.522	1.915
Stakeholder Participation	0.451	2.218
Internal Audit Standards	0.406	2.465
Transparency	0.327	3.059

Source: Field Survey Data (2021)

From the findings above all the variables had tolerance values >0.2 and VIF values <10 and thus according to Myres (2015) who indicated that where $VIF \geq 10$ indicate presence of Multicollinearity, there was no multicollinearity among the independent variables.

4.4.2 Test for Heteroscedasticity

Heteroscedasticity is the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. Running a regression model without accounting for heteroscedasticity would lead to unbiased parameter estimates. To test for heteroscedasticity, the Breusch-Pagan/Godfrey test was used. Heteroscedasticity test was run using Breusch-Pagan / Cook-Weisberg test in order to test whether the error terms are correlated across observations in the cross sectional of the data (Long & Ervin, 2000). The hypothesis was that;

H_1 : The data is Homoscedastic.

If the p-value is less than 0.05, the hypothesis is rejected.

TABLE 14

Heteroscedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constantvariance

Variables: fitted values of Performance

chi2(1)	=	21.52
Prob > chi2	=	0.072

Source: Field Survey Data (2020)

Results show that the p-value is greater than the 5%. Then the hypothesis was not rejected at a critical p value of 0.05 since the reported Chi2 (1) = 21.52 and p-value was $0.072 > 0.05$ and thus the data did not suffer from heteroscedasticity.

4.4.3 Normality Test

Test for normality determines if the data is well modeled and normally distributed (linear). To test the normality of the variables, Shapiro–Wilk test was used as it has the highest power among all tests for normality. The hypothesis was tested at a critical value at 0.05, where the rule is that reject H_0 if the probability (P) value is less than 0.05 or else do not reject. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Quataroli & Julia, 2012). The hypothesis was that;

H_1 : The data is normal.

TABLE 15

Normality Outputs

Variables	Shapiro-Wilk		
	Statistic	df	Sig.
Organizational Performance	0.754	98	0.6292
Internal Controls	0.776	98	0.1620
Stakeholder Participation	0.795	98	0.5307
Internal Audit Standards	0.832	98	0.1781
Transparency	0.837	98	0.1613

Source: Field Survey Data (2020)

The results indicated that using the Shapiro-Wilk test of normality, the data is normal since the p-values are above 0.05 for all the variables and thus we do not reject the alternative

hypothesis (H₁). Therefore, the variables on internal controls, stakeholder participation, internal audit standards and transparency and organizational performance are normal in distribution and hence subsequent analysis can be carried out.

4.5 Correlation Analysis

Correlation analysis was conducted to establish the relationship between the independent and dependent variables. The correlation matrix is presented in Table 16.

TABLE 16

Correlation Matrix

	Organizational Performance	Internal Controls	Stakeholder Participation	Internal Audit Standards	Transparency
Organizational Performance	1.000				
Internal Controls	.707** 0.000	1.000			
Stakeholder Participation	.721** 0.000	.644** 0.000	1.000		
Internal Audit Standards	.745** 0.000	.553** 0.000	.580** 0.000	1.000	
Transparency	.754** 0.000	.605** 0.000	.679** 0.000	.761** 0.000	1.000

Source: Field Survey Data (2021)

The results revealed that Internal Controls and organizational performance of County Governments is positively and significantly related ($r = .707^{**}$, $p = 0.000$). The results further indicated that Stakeholder Participation and organizational performance of County Governments is positively and significantly related ($r = .721^{**}$, $p = 0.000$). Internal Audit

Standards and organizational performance of County Governments is positively and significantly related ($r = .745^{**}$, $p = 0.000$). Lastly, results showed that Transparency and organizational performance of County Governments is positively and significantly related ($r = .754^{**}$, $p = 0.000$). This implies that an increase in internal controls, stakeholder participation, internal audit standards and transparency leads to an increase on organizational County Governments since the coefficients are positively related.

4.6 Regression Analysis

The study carried out regression analysis to establish the statistical significance relationship between internal controls, stakeholder participation, internal audit standards and transparency on organizational performance of County Governments. According to Chatterjee and Hadi (2015), regression analysis is a statistical process of estimating the relationship among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variable is varied, while the other independent variables are held fixed (Gunst, 2018).

The results presented in Table 17 present the fitness of model used of the regression model in explaining the study phenomena.

TABLE 17

Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859a	0.737	0.726	0.40071

The variables internal controls, stakeholder participation, internal audit standards and transparency were found to be satisfactory variables in explaining organizational performance of County Governments. This is supported by coefficient of determination also known as the R square of 0.737. This means that internal controls, stakeholder participation, internal audit standards and transparency explain 73.7% of the variations in the dependent variable, which is organizational performance of County Governments. This results further means that the model applied to link the relationship of the variables was satisfactory.

The Analysis of Variance (ANOVA) results are shown in Table 18.

TABLE 18

Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	41.95	4	10.487	65.316	.000b
Residual	14.933	93	0.161		
Total	56.883	97			

The findings further confirm that the regression model is significant and supported by F= 84.263, p<0.000) since p-values was 0.000 which is less than 0.05. The study conducted a regression of coefficient analysis to establish the statistical significance relationship between the independents variables notably internal controls, stakeholder participation, internal audit standards and transparency on the dependent variable that was organizational performance of County Governments. The regression of coefficient results are as shown in Table 19.

TABLE 19

Regression of Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.149	0.301		0.496	0.621
Internal Controls	0.321	0.091	0.263	3.578	0.001
Stakeholder Participation	0.269	0.090	0.237	3.001	0.003
Internal Audit Standards	0.299	0.079	0.314	3.762	0.000
Transparency	0.002	0.001	0.194	2.091	0.039

$$Y = 0.149 + 0.321X_1 + 0.269X_2 + 0.299X_3 + 0.002X_4$$

Where;

Y = Performance

X₁ = Internal Controls

X₂ = Stakeholder Participation

X₃ = Internal Audit Standards

X₄ = Transparency

β₀ = Constant Term;

β₁, β₂, β₃, β₄ = Beta coefficients;

ε = Error Term.

The constant of 0.149 showed that when internal controls, stakeholder participation, internal audit standards and transparency are held constant, performance of County

Governments would remain at 0.149 units. The regression of coefficients results show that Internal Controls and performance of County Governments is positively and significantly related ($\beta=0.321$, $p=0.001$). The results further indicated that Stakeholder Participation and performance of County Governments is positively and significantly related ($\beta=0.269$, $p=0.003$). The results further indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related ($\beta=0.299$, $p=0.000$). Lastly, results showed that Transparency and performance of County Governments is positively and significantly related ($\beta=0.002$, $p=0.039$).

4.7 Discussion of Findings

The objective of this study was to determine the influence of governance practices on performance of county governments' in Kenya. The variables of interest were internal controls, stakeholder participation, internal audit standards and transparency on organizational performance of County Governments. The pre-estimation tests conducted on Multicollinearity Test, Heteroscedasticity and Normality Test indicated that the underlying assumptions were fit for regression analysis.

The first objective of the study was to determine the influence of internal controls on the performance of county governments in Kenya. Correlation results indicated that Internal Controls and organizational performance of County Governments is positively and significantly related ($r= .707^{**}$, $p=0.000$). The regression of coefficients results indicated that Internal Controls and performance of County Governments is positively and significantly related ($\beta=0.321$, $p=0.001$). This implies that a unitary increase in Internal Controls leads to increase in performance of performance of County Governments by 0.321 units holding other factors constant. The hypothesis that internal controls has no significant effect on the performance of county governments in Kenya was therefore rejected.

The findings are consistent with Whittington and Kurt (2011) who established that internal control is very important to the reliability of financial statements when the internal control system examined closely in timeliness. Further, the findings are in line with Kiragu (2015) who established that thorough management controls are required to manage occupational fraud. Asembo (2017) posited that control activities occur throughout the organization, at all levels and in all functions and include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

The second objective of the study was to determine the influence of stakeholder participation on the performance of county governments in Kenya. Correlation results indicated that Stakeholder Participation and organizational performance of County Governments is positively and significantly related ($r = .721^{**}$, $p = 0.000$). The regression of coefficients results indicated that Stakeholder Participation and performance of County Governments is positively and significantly related ($\beta = 0.269$, $p = 0.003$). This implies that a unitary increase in Stakeholder Participation leads to increase in performance of performance of County Governments by 0.269 units holding other factors constant. The hypothesis that Stakeholder Participation has no significant effect on the performance of county governments in Kenya was therefore rejected.

The findings concur with Kapopoulos and Lazaretou (2011) who established that stakeholders' participation is vital in ensuring performance of a public entity. Mechanisms and control of the daily operations are vital and this is done through stakeholder's participation. The enhancement of participation is by ensuring members of the public are provided with a platform to exercise their oversight functions, ensuring innovative solutions are shared in solving development challenges and by ensuring that both individuals and groups of people are given responsibilities to that will enhance the success of identified

projects. Further, Motwani and Klein (2016) found that the stakeholder ideal of governance is much useful to the developing states, as following the interest may aid to deal with the failure of markets in the economies of the developed states. Reenen (2011) on the other hand argued that stakeholder's participation links the three aspects and requires responsible leaders as well as the beneficiaries with a capability and competence of steering the firm to better heights. They have an ability of providing an enabling environment through which the citizens are able exercise their oversight functions and contribute innovative solutions to shared problems.

The third objective of the study was to determine the influence of Internal Audit Standards on the performance of county governments in Kenya. Correlation results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related ($r = .745^{**}$, $p = 0.000$). The regression of coefficients results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related ($\beta = 0.299$, $p = 0.000$). This implies that a unitary increase in Internal Audit Standards leads to increase in performance of performance of County Governments by 0.299 units holding other factors constant. The hypothesis that Internal Audit Standards has no significant effect on the performance of county governments in Kenya was therefore rejected.

The findings are in agreement with Cattrysse (2014) study on internal auditors in organizations that established that internal auditors maintain the structure of organizations internal operations but also noted that the main problem facing the internal auditor is poor working conditions that create an unfavourable working environment. Kamere (2013) established that the failure to realign skills to address new requirements, failure to conduct risk assessments by management, poor leveraging of ICT to attain efficiencies and failure to cope with diminished resources, affects the performance of internal auditors.

The fourth objective of the study was to determine the influence of transparency on the performance of county governments in Kenya. Correlation results indicated that Transparency and organizational performance of County Governments is positively and significantly related ($r = .754^{**}$, $p = 0.000$). The regression of coefficients results indicated that Transparency and performance of County Governments is positively and significantly related ($\beta = 0.002$, $p = 0.039$). This implies that a unitary increase in transparency leads to increase in performance of performance of County Governments by 0.002 units holding other factors constant. The hypothesis that transparency has no significant effect on the performance of county governments in Kenya was therefore rejected.

The findings agree with Wood and Sangster (2015) who found that firms with higher corporate governance quality make more informative disclosures. Transparency is integral to corporate governance. Full disclosure and transparency of financial information are vital components of corporate governance framework. Schoorman and Donaldson (2011) posited that understandable, relevant, transparent, reliable, timely and full disclosure of the results of economic activities and the structural processes used in organizational units entrusted to operate in the stakeholder's interest, gives the stakeholders a true and fair view of the firm and the quality of the corporate governance standards it follows. Hambrick and Jackson (2019), argued that transparency is expected to minimize the informational asymmetry in the firm and the probability of fraud, enhancing its detection thus leading to lower cost of capital and hence higher firm value.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study findings, its conclusions and recommendations, presented in consideration to the study objective on the influence of governance practices on performance of county governments' in Kenya.

5.2 Summary of Findings

5.2.1 Internal Controls and Performance

The first objective of the study was to determine the influence of internal controls on the performance of county governments in Kenya. Correlation results indicated that Internal Controls and organizational performance of County Governments is positively and significantly related. The regression of coefficients results indicated that Internal Controls and performance of County Governments is positively and significantly related. This implies that a unitary increase in Internal Controls leads to increase in performance of performance of County Governments by 0.321 units holding other factors constant. The hypothesis that internal controls has no significant effect on the performance of county governments in Kenya was therefore rejected.

5.2.2 Stakeholder Participation and Performance

The second objective of the study was to determine the influence of stakeholder participation on the performance of county governments in Kenya. Correlation results indicated that Stakeholder Participation and organizational performance of County Governments is positively and significantly related. The regression of coefficients results indicated that Stakeholder Participation and performance of County Governments is

positively and significantly related. This implies that a unitary increase in Stakeholder Participation leads to increase in performance of performance of County Governments by 0.269 units holding other factors constant. The hypothesis that Stakeholder Participation has no significant effect on the performance of county governments in Kenya was therefore rejected.

5.2.3 Internal Audit Standards and Performance

The third objective of the study was to determine the influence of Internal Audit Standards on the performance of county governments in Kenya. Correlation results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related. The regression of coefficients results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related. This implies that a unitary increase in Internal Audit Standards leads to increase in performance of performance of County Governments by 0.299 units holding other factors constant. The hypothesis that Internal Audit Standards has no significant effect on the performance of county governments in Kenya was therefore rejected.

5.2.4 Transparency and Performance

The fourth objective of the study was to determine the influence of transparency on the performance of county governments in Kenya. Correlation results indicated that Transparency and organizational performance of County Governments is positively and significantly related. The regression of coefficients results indicated that Transparency and performance of County Governments is positively and significantly related. This implies that a unitary increase in transparency leads to increase in performance of performance of County Governments by 0.002 units holding other factors constant. The hypothesis that transparency

has no significant effect on the performance of county governments in Kenya was therefore rejected.

5.3 Conclusion

The study sought to determine the influence of governance practices on performance of county governments' in Kenya.

The study concluded that internal controls has a positive and significant relationship with on performance of county governments' in Kenya. This positive relationship for internal controls implied that an increase in internal controls leads to a significant increase in on performance of county governments' in Kenya. The study concluded that stakeholder participation has a positive and significant relationship with on performance of county governments' in Kenya. This positive relationship for stakeholder participation implied that an increase in stakeholder participation leads to a significant increase in on performance of county governments' in Kenya.

The study concluded that Internal Audit Standards has a positive and significant relationship with on performance of county governments' in Kenya. This positive relationship for Internal Audit Standards implied that an increase in Internal Audit Standards leads to a significant increase in on performance of county governments' in Kenya. Lastly, the study concluded that that transparency has a positive and significant relationship with on performance of county governments' in Kenya. This positive relationship for transparency implied that an increase in transparency leads to a significant increase in on performance of county governments' in Kenya.

5.4 Recommendations

Based on the study findings, the following recommendations were made;

The study recommends that internal control system is not a substitute for other governance practices thus the study recommends that there should continuous internal check and audit on the part of management and low level of management to ensure adequate internal control system in all sectors of the County.

The county government should encourage stakeholders to participate by incorporating their views in governance processes. Public participation should be a forum that is used to reach as many stakeholders as possible and allow them to air their views. The county needs to adopt an open door policy where stakeholders will feel valued for their contribution. A feedback mechanism should also be delivered where stakeholders are informed of the process of their participation and the key decisions that result from the participation. Further, ward committees should be put in place that acts as watchdogs on governance matters. These committees should be independent so as they are not compromised.

There is need for the county government to come up with its calendar of events on its activities. This should be availed to all the citizens at the beginning of a financial year. This will help in proper planning of its activities and ensure timely submissions of statutory requirements to both the county assembly and other organs. A calendar of events will help in promoting transparency and accountability in the county. Other ways to promote transparency is by allowing for social audit by the citizens, involving the public through a proper public participation, setting a disclosure policy of gifts among others.

5.5 Limitations of the Study

The study was confined to Machakos County Government and the findings may not apply wholesomely to other Counties in Kenya in general as some issues which were addressed might be specific to the Machackos County Government. However, it is believed

that the findings addresses issues of governance practices in county governments in Kenya. The study was limited to four variables namely internal controls, stakeholder participation, internal audit standards and transparency on organizational performance of County Governments. The fear on confidentiality was a limitation which was addressed by explaining to the respondents that their identity was held and responses will only be used for research purposes.

5.6 Areas for Further Research

The results of the regression analysis indicated that governance practices explained 73.7% change in performance of county governments in Kenya. This indicated that there are other factors besides the governance practices which future studies can undertake and expound on. In addition the scope can be expanded to more counties which would make the findings more representative.

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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

I am a student at KCA University pursuing a graduate degree in Masters of Business Administration in corporate management. I am conducting a research on the Influence of Governance Practices on Performance of County Governments in Kenya. The results of this survey will be used for academic purposes only and shall be treated with utmost confidence and anonymity.

Your assistance in filling this questionnaire is highly appreciated.

Thank you.

Yours Faithfully,

Erick Ndemange

Reg. No. 19/06283

Appendix II: Questionnaire

This questionnaire has been set in relation to the objectives of the study. All the questions relate to influence of governance practices on performance of county governments in Kenya; A case study of Machakos County. Kindly read the questions carefully and answer them as honestly as possible by ticking (✓), rating, specifying or writing the correct answers precisely on the spaces provided.”

SECTION 1: RESPONDENT’S INFORMATION

1. Department of the person filling the questionnaire

2. Gender (Please tick in the appropriate box)

Male Female

3. What is your age? (Please tick in the appropriate box)

18-30 31-40 41-50 above 50

4. What is your level of education? (Please tick in the appropriate box)

Diploma level Degree level Master level PhD level

]

5. Number of years served in your current office

0-2 3-5 6-9

SECTION 2: Internal Controls

This section contains statements on internal controls in Machakos County Government. Please express your agreement and disagreement by marking the appropriate box.

Where; 1 for Strongly Disagree, 2 for Disagree, 3 for neutral, 4 for Agree and 5 for Strongly Agree).

Statements	1	2	3	4	5
Maintaining accounting records play a significant role in timely delivery					
Fraud checks and detection play a significant role in timely delivery					
Compliance with policy plays a significant role in timely delivery					
Maintaining accounting records play a significant role in cost reduction					
Fraud checks and detection play a significant role in cost reduction					
Compliance with policy plays a significant role in cost reduction					
Maintaining accounting records play a significant role in attaining higher customer satisfaction					
Fraud checks and detection play a significant role in attaining higher customer satisfaction					
Compliance with policy plays a significant role in attaining higher customer satisfaction					

SECTION 3: Stakeholder Participation

This section contains statements on stakeholder participation in Machakos County Government. Please express your agreement and disagreement by marking the appropriate box.

Where; 1 for Strongly Disagree, 2 for Disagree, 3 for neutral, 4 for Agree and 5 for Strongly Agree).

Statements	1	2	3	4	5
Public consultation forums plays a significant role in timely delivery					
Oversight roles plays a significant role in timely delivery					
Project identification plays a significant role in timely delivery					
Public consultation forums plays a significant role in cost reduction					
Oversight roles plays a significant role in cost reduction					
Project identification plays a significant role in cost reduction					
Public consultation forums plays a significant role in attaining higher customer satisfaction					
Oversight roles plays a significant role in attaining higher customer satisfaction					
Project identification plays a significant role in attaining higher customer satisfaction					

SECTION 3: Internal Audit Standards

This section contains statements on internal audit standards in Machakos County Government. Please express your agreement and disagreement by marking the appropriate box.

Where; 1 for Strongly Disagree, 2 for Disagree, 3 for neutral, 4 for Agree and 5 for Strongly Agree).

Statements	1	2	3	4	5
Independence plays a significant role in timely delivery					
Objectivity plays a significant role in timely delivery					
Authority plays a significant role in timely delivery					
Independence plays a significant role in cost reduction					
Objectivity plays a significant role in cost reduction					
Authority plays a significant role in cost reduction					
Independence plays a significant role in attaining higher customer satisfaction					
Objectivity plays a significant role in attaining higher customer satisfaction					
Authority plays a significant role in attaining higher customer satisfaction					

SECTION 5: Transparency

This section contains statements on transparency in Machakos County Government. Please express your agreement and disagreement by marking the appropriate box.

Where; 1 for Strongly Disagree, 2 for Disagree, 3 for neutral, 4 for Agree and 5 for Strongly Agree).

Statements	1	2	3	4	5
Financial reporting plays a significant role in timely delivery					
Feedback mechanisms plays a significant role in timely delivery					
Access to information plays a significant role in timely delivery					
Financial reporting plays a significant role in cost reduction					
Feedback mechanisms plays a significant role in cost reduction					
Access to information plays a significant role in cost reduction					
Financial reporting plays a significant role in attaining higher customer satisfaction					
Feedback mechanisms plays a significant role in attaining higher customer satisfaction					
Access to information plays a significant					

role in attaining higher customer satisfaction					
--	--	--	--	--	--

SECTION 6: Performance of County Governments

This section contains statements on Performance of County Governments in Machakos County Government. Please express your agreement and disagreement by marking the appropriate box.

Where; 1 for Strongly Disagree, 2 for Disagree, 3 for neutral, 4 for Agree and 5 for Strongly Agree).

Statements	1	2	3	4	5
Our administration costs have decreased over the years					
Service delivery period has decreased					
Our internal control system have improved					
The time we spend in meetings has decreased					
Our records processing system has improved					
Time taken reporting to members has decreased					
Our compliance costs have decreased					
Member involvement in decision-making in our plan					

has increased					
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THANK YOU FOR YOUR TIME

Appendix III: Data Collection Letter



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SCHOOL OF GRADUATE STUDIES AND RESEARCH

KCA/SGS/July. 21/1

27th July 2021

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: ERIC NDEMANGE REG. NO. 19/06283

It is my distinct pleasure to introduce to you Mr. Eric Ndemange who is a student in our institution pursuing a Master of Business Administration at the College of Business.

Eric is conducting a research on a topic titled: *"Influence of Governance Practices on Performance of County Governments in Kenya"* which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

Dr. Nyaribo Misuko
Dean, School of Graduate Studies & Research