INTERNAL CONTROL PRACTICES AND FINANCIAL PERFORMANCE OF FAITH BASED FACILITIES IN KAKAMEGA COUNTY

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DECLARATION

This research thesis is my original work with no other than the indicated sources and support and has not been presented elsewhere for a degree or for any award.

Signature……………………………………..Date…………………………….

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Kibabii University a research thesis entitled **"Internal Control Practices and Financial Performance of Faith Based Facilities in Kakamega County."** This research thesis was submitted for examination with our approval as University supervisors.

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DEDICATION

This Thesis is dedicated to my loving husband Suleiman Wanekeya, My Parents Julius Andove and Josephine Andove.

ACKNOWLEDGEMENT

To God I give all the Glory for the gift of life, good health and all the blessings .He has bestowed upon me. He has been my source of strength this far .My gratitude goes to Kibabii University fraternity for providing an enabling academic environment for me to pursue my academic dream and acquire knowledge .I wish to extend my appreciation to Kibabii University and Department of Economics, Finance and Accounting for providing a team of lecturers who guided me through this learning session. I wish to express my gratitude and appreciation to my supervisors: Dr. Rashid Simiyu Fwamba and Dr.Brian Singoro for their relentless support, guidance, advice and encouragement.

A very special appreciation goes to my parents; Julius Andove and Josephine Andove, who sacrificed a lot for my upbringing and education .You made me, to be whom I am and you really inspired me to work hard. I would like to thank all my classmates who have been a great source of encouragement towards this journey. Lastly for those who contributed in one way or another but have not been mentioned here, I really appreciate your help. Thank you all and God bless you.

ABSTRACT

The study is founded on the nature of organization, development, pillars, roles, functions, financial performance and aspirations of the Faith Based health facilitiess. The main objective of the study was to establish the effect of internal control practices on financial performance of Faith Based facilities in Kakamega County, Kenya. Specifically, the study aimed to; establish effect of personnel control practices on financial performance of Faith Based health facilities, determine effect of periodic review practices on financial performance of Faith Based health facilities, determine effect of operational control practices on financial performance of Faith Based health facilities and establish effect of organizational control practices on financial performance of based facilities. The study was guided by attribution theory, agency theory and procedural justice theory. Target population was 550 employees in Faith Based health facilities in Kakamega County. Stratified and simple random sampling techniques were used. Fisher's formula was used to arrive at a sample size of 226 respondents. Data collection instruments were both primary and secondary. Primary data collection instruments namely questionnaire was used to get firsthand information from the respondents on internal control practices in their facilities. Secondary data collection involved documentary analysis to capture information on financial performance of the facilities. Pilot study was carried out on a group of employees from Kakamega County Public hospital to ensure the research instruments capture the required information before carrying out research. Content and construct validity of research instruments were achieved by involving experts from the school and Business and Economics, Finance and Accounting while drafting them. Moreover, Cronbach's Alpha of Coefficient was used to test on the reliability of the research instruments, which ought to be at least 0.7 in Social Sciences. The study attained a Cronbach alpha of 0.819 implying the research instruments were reliable. Descriptive and inferential statistics which include mean, frequency and regression will be used in this study. The test criteria were to reject the first null hypothesis if the value of beta is not equal to zero ($\beta_1 \neq 0$). From the results, the beta value for risk assessment control from the regression model was 0.377 at $p< 0.05$. These results imply 37.7% of change in financial performance is attributed to risk assessment control practices. Therefore the first hypothesis was rejected. The test criteria were to reject the second null hypothesis if the value of beta is not equal to zero ($\beta_2 \neq 0$). From the results, the beta value for audit activities from the regression model was 0.537 at $p< 0.05$. These results imply 53.7% of change in financial performance is explained by audit activities. Therefore the second hypothesis was rejected. The test criteria were to reject the third null hypothesis if the value of beta is not equal to zero ($\beta_3 \neq 0$). From the results, the beta value for monitoring control activities from the regression model was 0.426 at $p< 0.05$. These results imply 42.6% of change in financial performance is attributed to monitoring control activities. Therefore the third hypothesis was rejected. The test criteria were to reject the fourth null hypothesis if the value of beta is not equal to zero ($\beta_4 \neq 0$). From the results, the beta value for information system control practices from the regression model was 0.322 at $p< 0.05$. These results imply 32.2% of change in financial performance is explained by information system practices. Therefore the fourth hypothesis was rejected; the study established a statistically significant correlation between internal control practices and financial performance. The findings of the current study forms a basis for reference in future by interested parties.

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ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountant
ANOVA	Analysis of Variance
APB Auditing	Practices Board
CE	Control Environment
COSO	Committee of Sponsoring Organizations
IAF	Internal audit function
IC	Internal Controls
ICS	Internal Control Systems
INTOSAI	International Organization of Supreme Audit Institutions
ROA	Return on Assets
SPSS	Statistical Package for Social Sciences
SOX	Sarbanes - Oxley
VFM	Value for Money

OPERATIONAL DEFINITION OF TERMS

Control Activities Control activities are tools – both manual and automated – that help identify, prevent or reduce the risks that can impede accomplishment of the organization's objectives. Management should establish control activities that are effective and efficient.

Control Environment Control environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance.

Financial Performance This is the process of quantifying the efficiency and effectiveness of an action. Organizational performance is achieved by comparing the value that an organization creates using its productive assets with the value that owners of these assets expect to obtain.

Information and Communication Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is two-fold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

Internal Controls This refers to set of rules, policies, and procedures an organization implements to provide reasonable assurance that: (a) its financial reports are reliable, (b) its operations are effective and efficient, and (c) its activities comply with applicable laws and regulations.

Monitoring Activities This is an ongoing evaluation, separate evaluations, or some combination of the two is used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, is present and functioning. Ongoing evaluations, built in to business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

Profitability The word profitability is composed of two words, namely, profit and ability. The term profit is a measure of receipts less cost and the term ability indicates the power of a business entity to earn profits. The ability of a concern also denotes its earning power or operating performance. Therefore, profitability may be defined as the ability of a given investment to earn a return from its use.

Segregation of duties Segregation is the concept of having more than one person required to complete a task. In business it is the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, all establishments both non-profit or profit organizations have their objectives and goals that they seek to achieve. With non-profit making institutions, their goal is to meet the social requirements of the populations. While seeking to meet these needs, supervision is quite vital. Executors sometimes find it hard to exercise first hand and personal supervision of operations because of the scope and size of organizations. In this breadth, it is necessary for management to initiate internal audit systems or internal controls (Uwaoma & Ordu, 2015). There must be some aspects put in place for the smooth running of the organization like people, money, machines and materials if an organization is to carry out its business. In order for the success of the organization to be achieved, these factors need to be well coordinated. A group of persons, known as management, use these factors. An organization and management are inseparable since neither can exist without the other (Matata,2015). Good health is globally recognized as a fundamental human right for all (WHO, 2007). As populations strives to acquire good health, demand for effective and efficient delivery of quality health care increases. Good health is fundamental to socio economic development of any given community (WHO, 2007).

The study is founded on the nature of organization, development, pillars, roles, functions, performance and aspirations of the health sector. The Kenya National Health Sector has public and private health service providers. Private health service providers include private for-profit, Non-Governmental Organizations and Faith Based Health Facilities. Health services are provided through a network of over 4,700 health facilities countrywide, with the private sector system accounting for about 49% of these facilities (MOH, 2012).

The Kenya Health Policy Framework of 1994, the National Health Sector Strategic Plan 2008 - 2012, the Kenya Vision 2030 recognize and encourage involvement of private sector in provision of health services towards universal access. Private health care services means provision of health services by a health facility that is not owned by the national or county governments and includes health care services provided by individuals, private health institutions and faith-based organizations. A health facility is a whole or part of an institution, building or place, whether for profit or not is operated or designed to provide in-patient or out-patient treatment, diagnostic or therapeutic interventions, nursing, rehabilitative, palliative, convalescent, preventative or other health service (Health Bill, 2015).

A Faith-based health facility is one started, managed or run by a religious or spiritual group including, but not limited to places of worship, groups of community or tribal elders/spiritual leaders, intra- or interdenominational community coalitions, faith connected health and human service agencies, denominational hierarchies or governance bodies, religious orders and or schools of divinity (Health Bill, 2015). The constitution of Kenya 2010 and Health Bill 2015 provides for the right of all Kenyans to access the highest attainable standard of health. The government has a legal role of developing policies, laws and other measures necessary to protect, promote, improve and maintain health and well-being of every person. The law provides that private health facilities should complement government health services to attunement of needs of the population. They should pursue to provide comprehensive and accessible health services (The Constitution of Kenya, 2010).

Health care services must be provided in an enabling environment with requisite human resources, infrastructure, commodities and supplies. These pillars are only foreseeable in a system that establishes vibrant internal financial control mechanisms to safeguard prudent financial administration (Armour, 2000). Internal financial controls are systems within an organization that design methods and procedures to produce effective operations, establish reliable financial reporting, maintain compliance with regulations laws and policies and secure reputation as well as intellectual property to achieve its objectives (Asare, 2006).

Internal financial controls direct, monitors, and measures utilization of funds to control risks to an organization and maximize profitability and returns on equity. They protect the integrity of an organization's financial information and establish structures of transparency, accountability, accuracy in reporting and validity. Effective internal financial control system gives assurance to integrity of financial reporting and safeguards institutional assets as it forestall fraud and error. Strong internal controls have been

strongly linked to increased organization performance in relation to growth, competitiveness, quality of service, returns on equity and profitability. (Krishnan, 2005)
It is based on this background that a study is proposed to assess the effect of internal financial controls practices on performance of faith based health facilities in Kakamega County. The study will assess financial processes and functions that deal with budgeting, financial reporting, transaction processing, financial delegations, cash management and level of financial management infrastructure against organization financial portfolio growth, competitiveness, quality of service, returns on equity and profitability measurements of organization performance. The study will help faith based health facilities to review and strengthen their internal financial controls for improved financial performance.

The meaning of internal control is divided into financial internal control and non-financial (administrative) internal control. Financial internal control pertains to financial activities and may be exemplified by controls over company's cash receipts and payments financing operations and company's management of receipts and payments. Non-financial internal control, on the other hand, deals with activities that are indirectly financial in nature that is controls over company's personnel section and its operations, fixed assets controls and even controls over laid down procedures (Reid and Ashelby, 2012). A good internal control system helps an organization to prevent frauds, errors and minimize wastage. Custody of assets is strengthened; it provides assurance to the management on the dependability of accounting data eliminates unnecessary suspicion and helps in maintenance of adequate and reliable accounting records.

Internal financial controls direct, monitors, and measures utilization of funds to control risks to an organization and maximize profitability and returns on equity. They protect the integrity of an organization's financial information and establish structures of transparency, accountability, accuracy in reporting and validity. Effective internal financial control system gives assurance to integrity of financial reporting and safeguards institutional assets as it forestalls fraud and error. Strong internal controls have been strongly linked to increased organization performance in relation to growth, competitiveness, quality of service, returns on equity and profitability.

Several financial scandals have occurred in quoted companies both in the local and international scenes. The findings of the Treadway Commission Report of 1987 in the United States (USA) confirmed that the absence of internal controls or the presence of weak internal controls is the primary cause of many cases of fraudulent company financial reporting. The widespread global corporate accounting scandals in recent years inform this study. Notable cases include Enron and WorldCom in the USA, Parmalat in Europe and Chuo Aoyama in Asia. (Paul, 2003)

In America, investors lost $180 billion in World Com Scandal of 2002, $150 million in Tyco Scandal of 2002, $1.4 billion in Heath South Scandal of 2003 and $3.9 billion in America international Group (AIG) scandal of 2005, among several financial fraudulent activities affecting publicly quoted companies. In the early 2000s, a number of high profile corporate accounting scandals resulted in some investors, company personnel and other stakeholders suffering significant losses. These scandals resulted in demands for a greater emphasis on corporate governance. In July 2002, the United States Congress passed the Sarbanes-Oxley Act (SOX) in an effort to reduce public concern over a number of high profile corporate failures in the US (COSO, 2013).

Ashbaugh-Skaife, Collins, Kinney and Lafond (2008) documented that firms reporting internal control weaknesses have more complex operations; have experienced recent changes in organizational structure; are at increased exposure to accounting risks; and have fewer resources to invest in internal control. Furthermore, Doyle, Ge and McVay (2015) indicated that firms with material weaknesses have a lower earnings quality than those that do not report material weaknesses. Additionally, Hammersley, Myers and Shakespeare (2013) showed a negative market reaction to firms that had reported material weaknesses in internal control. South Africa has recorded cases of accounting scandals in Randgold and Exploration companies. In Nigeria, the managing director and chief financial officer of Cadbury Nigeria were dismissed in 2006 for inflating the profits of the company for some years before the company's foreign partner acquired controlling interest. These scandals emphasize the need to evaluate, scrutinize, and formulate systems of checks and balances to guide corporate executives in decision-making. These executives are legally and morally obliged to produce honest, reliable, accurate and informative corporate financial reports periodically (Hayes *et al*., 2005).

In Kenya, The Treasury News of 2010 revealed that between 25 and 30 percent of the national budget or about Ksh. 270 billion is lost annually through fraud. These loses were mainly attributed to the escalation of costs in Government procurement occasioned by weak internal controls. Reports from watch dog institutions also reveals that government departments do not properly account for funds allocated to them Ndege, Odhiambo and Byaruhanga (2015). Internal controls have become of paramount importance today in Kenyan banks. The reason being that the control systems in any organization are a pillar of an efficient accounting system (Wanemba, 2010).

When we come down to organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations (Kenya Company's Act cap 486). At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (like how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes (Etuk, 2011).

1.2 Statement of the Research Problem

The internal control is essential corporate governance mechanism of the firm based on internal control statement quality that it should be to control effectiveness and also influence the reliability of financial reporting both in internal and external's firm (Skaife *et al*., 2013). It is worth noting that internal controls only provide reasonable but not absolute assurance to an entity's management and board of directors that the organization's objectives will be achieved. However, the motivation of the study is directed by the fact that the likelihood of achievement is affected by limitations inherent in all systems of internal control. PROCASUR Africa Report (2012) posited that poor control systems leave to the loss through fraud and misuse of assets that are used to generate revenues while members and institutions have suffered big losses. Inadequate controls have also led to corruption and collusion of management and external auditors leading to organizations failing to achieve their set objectives. Technological changes have also brought with them challenges in control systems and this has necessitated the development of new ways of controlling organizations (Gerrit and Abdol mohammadi, 2010). Effectiveness of internal financial controls should be considered critical because its purpose is ostensibly to detect and prevent fraud and errors which can adversely affect organizations financial performance. A sound system of internal financial control is essential to ensure that organizations resources are allocated in a manner that ensures it's operational and financial objectives meet and complies with rules, regulations and policies (Armour, 2000).

Internal control system should provide for adequate separation of duties in financial operations; independent checks of changes to key master data files; regular key reconciliations of accounting documents, independent review of reconciliations and systematic documentation and distribution of policies and procedures for all financial activities With advancing technology and prospective financial resource management an ideal internal control system can have a database or "framework" of internal financial controls operated by an integrated computerized system having in build ability to assess control activities, develop improvement plans and review and consolidate and analyze results on a real time basis (Behn *et al.,* 2010). Faith Based Health facilities constitute 49% of the sector system in Kenya. They are owned by religious organization. They are generally classified as not for profit or voluntary organization. There governance is appointed by the leadership of respective religious or spiritual organization.

There financing is from user fees and donor support though service delivery is regulated by government statutory bodies. There has been close partnership between FBOs and Ministry of Health in institutional strengthening, organizational development, improving availability of human resources, financing, information dissemination and commodity supply though largely operations Faith Based health facilities remain autonomous with less direct control of financial management from government ministries (Lightbody, 2000).

Faith Based Health facilities have time and again faced a myriad of financial crisis which has led to total collapse of a number of them, loss of competitiveness, attrition of human resource, poor quality services and redundant infrastructure. The aforesaid financial challenges could be attributed to a wide array of factors though lack of effective internal financial control could just as much have contributed to the problem. A proactive and vibrant system of internal financial controls will not remove all risk but is a means of managing risk and reducing the likelihood and consequence of adverse events that may affect profitability of these facilities. They are established to ensure sound financial administration. They enable health facilities to deliver effective and quality health care services in a cost effective way.

1.3 General objective of the Study

The purpose of the study was to establish effect of internal control practices on financial performance of faith based facilities in Kakamega County, Kenya.

1.3.1 Objectives of the study

The specific research objectives were to:

(i) Establish effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega county.

(ii) Determine effect of audit activities on financial performance of Faith Based health facilities in Kakamega county.

(iii) Determine effect of monitoring control practices on financial performance of Faith Based health facilities in Kakamega county.

(iv) Establish effect of information system control practices on financial performance of Faith Based health facilities in Kakamega county.

1.3.2 Hypothesis of the study

The following null hypotheses guided the study

$H_0$1: There is no significant relationship between risk assessment control practices on Faith Based health facilities in Kakamega county.

$H_0$2: There is no significant relationship between audit activities on financial performance of Faith Based health facilities in Kakamega County.

$H_0$3: There is no significant effect of monitoring control practices on financial performance on Faith Based hhealth facilities in Kakamega County.

$H_0 4$: There is no significant effect of information system control practices on financial performance of Faith Based health facilities in Kakamega County

1.4 Significance of the Study

This study is to be of interest to academicians and future researchers who would be undertaking other researches related to this. This is because it will build knowledge on internal control practices and provides the necessary information to be incorporated into the work of Future researchers. The study might help them come up with better theses on internal control practices and their effects on financial performance of organizational in general. It is hoped the recommendations of the study are of interest to the management and stakeholders of faith based health facilities since it might point out the areas ignored in the internal control as well as the ways of improving the quality of the internal control system. Furthermore the study will help to inculcate scientific and inductive thinking and promotes the development of logical habits and thinking by all staff in the organization. It will help the Government to establish policies that will help to improve internal control activities.

1.5 Assumptions of the Study

The assumption of the study was that by targeting Accounting, Information system and Internal audit, the researcher would access information regarding to the main variable of the study. The study assumed that the respondents were available and gave information that was a true reflection to the outcome of the research objectives. That the respondents understood well the questionnaire. The Researcher also assumed that the respondents will be cooperative and give accurate information.

1.6 Scope of the Study

The Study was limited to internal control practices and financial performance of Faith Based health facilities in Kakamega County, Kenya. Employees in this facilities were target population. The study covered a period of three months starting July, 2019 to end of October, 2019. The study was restricted to internal control practices and financial performance of faith based health facilities in Kakamega County.

1.7 Limitation of the Study

During the study the researcher encountered the following challenges: Access to public information from these Faith Based health facilities was not easy, most of them were not willing to disclose their financial performance and this was solved by the researcher seeking permit from NACOSTI. Respondent took a lot of time to respond and some had lost the questionnaires .The constant follow up and replacement of the lost questionnaires solved this problem .The respondent feared to disclose information due to competitors threats .The respondent were reassured that the information collected was for academic purposes only as evidenced by the University introductory letter (Appendix 6) and the benefits obtained thereafter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the most recent literature relating to the study variables. The theoretical and empirical literature related to the variables upon which the study hypotheses are founded is also presented. Finally a summary of the literature review which supports the gaps being addressed by the study and the proposed conceptual framework is provided.

2.2 Theoretical Literature Review

A theory is a "set of interrelated concepts, definitions, and propositions that present a systematic view of events or situations by specifying relations among variables, in order to explain and predict the events or situations" (Van Ryn & Heaney, 2012). Theoretical literature is concerned primarily with theories or hypotheses rather than practical application. Theoretical literature begins with a formal model that seeks to explain participation patterns in terms of underlying theory (Heilbrun & Gray, 2013).

There are several theoretical approaches which can be used to outline the financial performance of companies, to select the predictors to the models, and to justify the functional form between these predictors. In this review these approaches are classified into the following categories;

2.2.1 Attribution Theory

Attribution theory is a social psychology theory that explores how people interpret events and behaviors and how they ascribe causes to the events and behaviors. According to (Schroth and Shah 2000), studies using attribution theory examine the use of information in the social environment to explain events and behaviors.(Reffett 2007) asserts that when evaluators believe comparable persons would have acted differently in a given circumstance, they (evaluators) tend to attribute responsibility for an outcome to the person. According to (Wilks and Zimbelman 2004), the first case refers to internal or dispositional attributions while the second one refers to external or situational attributions. The auditor’s accountability for detecting fraud is extended by Reffett’s (2007) study which predicted that auditors are more likely to be held accountable by evaluators when the auditors fail to detect fraud after they had identified the fraud occurrence as a fraud risk. The result of Reffett’s study shows an increase in auditors’ liability when an audit fails after the auditors had identified the perpetrated fraud as a fraud risk and performed procedures to investigate the identified fraud risk.

Attribution theory thus advocates for auditors of the Faith Based health facilities to report on the effectiveness of firms’ internal control because auditors are expected to gain a better understanding of the internal controls in place, assess the design and implementation of the internal controls, and test the operating effectiveness of the internal controls and ensure the objectives set by the management on the financial performance of the Faith Based health facilities is met. This is deemed necessary for the auditors’ reliance and possibly scaling back of other substantive audit procedures for the required performance.

The attribution theory suggests that when fraud occurs, identified parties should be held accountable and auditors, being the “public watchdogs” are most likely to be held accountable if evaluators determine substandard audit services were provided (Reffett, 2007). In reference to the study the attribution theory place the burden of fraud reporting to the relevant individuals within the institutions. Despite growth in technology that has changed the internal control systems structure there will always be a need for a person to manage these systems. As such it’s upon such authority figures i.e. managers and the board of directors who should ensure that all the relevant regulatory and compliance issues are adhered with. In reference to our study this theory seeks auditors to be in the forefront of reporting fraud when it occurs.

2.2.2 Agency Theory

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). This study will use the agency theory to determine the effect of internal control practices on the financial Performance of Faith Based health facilities in Kakamega County. (Sarens and Abdolmohammadi 2011) state that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. A significant body of work has been undertaken in this area within the context of the principal-agent framework. The work of Jensen and (Mecklin 2016) in particular as well as that of (Fama 2010) is important. Agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent.

The agency relationship can have a number of disadvantages relating to the opportunism or self-interest of the agent: For example, the agent may not act in the best interests of the principal, or the agent may act only partially in the best interests of the principal. There can be a number of dimensions to this including for example, the agent misusing their power for pecuniary or other advantage, or the agent not taking appropriate risks in pursuance of the principal's interests because the agent views those risks as not being appropriate while on the other hand the principal may have different attitudes to risks (Kinyua 2016).

There is also the problem of information asymmetry whereby the principal and the agent have access to different levels of information; in practice this means that the principal is at a disadvantage because the agent has more information. The theory was therefore very relevant in this study as shareholders who are the owners of the Faith Based facilities have delegated the responsibilities of daily running of the facilities to the management who acts as their agents and hence great need for strong internal control practices to ensure shareholders and other stakeholder's interests are adequately safeguarded. The theory therefore supports existence of internal control practices.

2.2.3 Procedure Justice Theory

Procedural justice theory is a social psychology theory concerned with decision making process and the impact of the process on social relationship. The theory focuses on what constitutes fair decision procedures, and is the basis for the practice of decision-makers to use and apply laws or criteria that they believe are fair, just, and relevant to the decision making process (Patterson & Smith, 2007). The value perception may convey positive or negative signals to the group under scrutiny. These positive or negative signals occur irrespective of the direction of the legal case Thus, external attribution occurs, if an auditor perceives the procedures as being unfair, and their litigation as negative (Carter et al., 2008).

Also, there is an indication of external attribution when the procedures are perceived as being unfair, and being litigated as positive (Wilks and Zimbelman, 2004) On the other hand, an internal attribution is observed when an auditor sees the procedures as being fair, and their being litigated as positive. Finally, an internal attribution is indicated when an auditor sees the procedures as being fair, and their being litigated as negative. Using prior research findings as an indicator, it is expected in a case of an alleged failed audit, auditors are more likely to be sued. Regulators and investors will most likely be inclined to attribute the cause of the alleged failed audit to negligence on the part of the auditors, especially since auditors are mostly sued for meritorious claims (Zhang, & Zhou, 2007).

2.3 Empirical Literature Review

This section presents past studies relating to internal audit practices and financial performance in general.

2.3.1 Risk Assessment and Financial Performance

Recently a number of financial scandals have been witnessed in quoted companies both in local and international scene. The findings of the Treadway Commission Report of 1987 in the United States (USA) confirmed that the absence of internal controls or the presence of weak internal controls is the primary cause of many cases of fraudulent company financial reporting. The widespread global corporate accounting scandals in recent years will inform this study. Notable cases include Enron and WorldCom in the USA, Parmalat in Europe and Chuo Aoyama in Asia.

In America, investors lost $180 billion in World Com Scandal of 2002, $150 million in Tyco Scandal of 2002, $1.4 billion in Heath South Scandal of 2003 (the largest publicly traded company) and $3.9 billion in America international Group (AIG) scandal of 2005, among several financial fraudulent activities affecting publicly quoted companies. In the early 2000s, a number of high profile corporate accounting scandals resulted in some investors, company personnel and other stakeholders suffering significant losses. These scandals resulted in demands for a greater emphasis on corporate governance. In July 2002, the United States Congress passed the Sarbanes-Oxley Act (SOX) in an effort to reduce public concern over a number of high profile corporate failures in the US (COSO, 2013).

Ashbaugh-Skaife, Collins, Kinney and Lafond (2008) documented that firms reporting internal control weaknesses have more complex operations; have experienced recent changes in organizational structure; are at increased exposure to accounting risks; and have fewer resources to invest in internal control. Furthermore, (Doyle, Ge and McVay 2005) indicated that firms with material weaknesses have a lower earnings quality than those that do not report material weaknesses. Additionally, (Hammersley, Myers and Shakespeare 2007) showed a negative market reaction to firms that had reported material weaknesses in internal control.

Risk assessment is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives (Maitin, 2010). It entails the identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact. Consequently Menon & Williams (2010) looks at risk assessment as the identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the misappropriation of assets. This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.

In South Africa, cases of accounting scandals have been recorded in Randgold and Exploration companies. In Nigeria, the managing director and chief financial officer of Cadbury Nigeria were dismissed in 2006 for inflating the profits of the company for some years before the company's foreign partner acquired controlling interest. These scandals emphasize the need to evaluate, scrutinize, and formulate systems of checks and balances to guide corporate executives in decision-making. These executives are legally and morally obliged to produce honest, reliable, accurate and informative corporate financial reports periodically (Hayes *et al*., 2005). An entity's risk assessment process is its process for identifying and responding to business risks and the results thereof.

For financial reporting purposes, the entity's risk assessment process includes how management identifies risks relevant to the preparation of financial statements that give a true and fair view (or are presented fairly, in all material respects) in accordance with the entity's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to manage them. For example, the entity's risk assessment process may address how the entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimates recorded in the financial statements (KASNEB 2011). Risks relevant to reliable financial reporting also relate to specific events or transactions. Shah (2011) asserts that one would incur more risk if he decides to invest in shares rather than Government bonds. However he asserts that risk and expected return move in tandem; the greater the risk the greater the expected return. Chandra (2002) note that Risk is everywhere and surrounds our personal activities or professional lives. Though it is difficult to eliminate completely, one can minimize risk by employing risk assessment techniques in his personal and professional capacity.

Risk assessment is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives (Maitin, 2010). It entails the identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact. Consequently, Menon & Williams (2010) looks at risk assessment as the identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the misappropriation of assets. This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.

2.3.2 Audit Control Activities and Financial Performance

Crutchley *et al*. (2007) studied the likelihood of a firm being involved in an accounting scandal. The study found that certain characteristics increased the likelihood of a firm being involved in an accounting scandal. The characteristics included high levels of growth of a firm, engaging in earnings management techniques, audit committees composed of few directors and overextended outside directors. However, firms with low level of growth and having audit committees composed of more directors had a lesser likelihood of being involved in accounting scandal. Strong internal controls and an ethical organizational culture were found key in preventing a firm from being involved in accounting scandal.

Idowu and Adedoku (2013) did a study on the effects of internal control system on fraud detection in selected Nigerian commercial banks. Using the least square regression analysis, result showed that fraud was visible as a result of poor employee training. Separately, Chukwu (2012) in her work the impact of internal control system on the financial management of an organization utilized regression analysis and result shows that perpetration of fraud and losses of revenue in an organization are as a result of weakness in the internal control system.

Mawanda (2008) 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.

In Kenya, The Treasury News of 2010 revealed that between 25 and 30 percent of the national budget or about Ksh. 270 billion is lost annually through fraud. These loses were mainly attributed to the escalation of costs in Government procurement occasioned by weak internal controls. Reports from watch dog institutions also reveals that government departments do not properly account for funds allocated to them (Ndege, Odhiambo and

Byaruhanga, 2015). Internal controls have become of paramount importance today in Kenyan banks. The reason being that the control systems in any organization are a pillar of an efficient accounting system (Wanemba, 2010).

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations (Kenya Company's Act cap 486). At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (like how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes (Saleemi 1997).

2.3.3 Monitoring Activities and Organization Performance

These activities encompass the physical security of assets, including adequate safeguards such as secured facilities over access to assets and records; authorization for access to computer programs and data files; and periodic counting and comparison with amounts shown on control records. Losses may occur if for example there is no comparing of the results of cash, security and inventory counts with accounting records. Frauds are discovered in these controls and hence improving the organizational performance. The extent to which physical controls intended to prevent theft of assets are relevant to the reliability of financial statement preparation, and therefore the audit, depends on circumstances such as when assets are highly susceptible to misappropriation. For example, these controls would ordinarily not be relevant when any inventory losses would be detected pursuant to periodic physical inspection and recorded in the financial statements. However, if for financial reporting purposes management relies solely on perpetual inventory records, the physical security controls would be relevant to the audit. Stealing of assets as commented on by Williams et al (1999) can range from shoplifting an accessory, diskettes and software from a store to taking a whole large asset. This when prevented enhances organizational performance.

Amaka (2012) determined the relationship between internal measures to proper accounting records. A survey research design was adopted for this research study and a sample size was selected using Yaro Yamane sampling technique as data used were obtained from both primary and secondary sources. Four research questions were formulated out of which three hypothesis were formulated using regression co-efficient analysis method at 5% level of significance and the Z table was also used for comparison between calculated value of significance B and table value. The finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization.

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. It administers questionnaire as a research instrument. The findings of this study reveal that majority of the private banks in Mogadishu has enough cash to meet its intended goals. Also there is a clear separation of duties. This study suggests that the internal auditors perform their duties fast, efficient and reliable.

Duru, Okpe and Udeji (2014) examined the impact of inventory management practices on the financial performance of engineering firms in Nigeria. Because of the huge inventories maintained by most firms, a considerable sum of an organization's fund is being committed to them. Thus it becomes absolutely imperative to manage inventories efficiently so as to avoid the costs of changing production rates, overtime, sub-contracting, unnecessary cost of sales and back order penalties during periods of peak demand. The research survey was conducted in all the five selected engineering firms from the period 2009-2014. Secondary data was obtained from annual Reports of the companies under study. Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicate that there exists a positive correlation between inventory management and Return on Asset 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. It administers questionnaire as a research instrument. The findings of this study reveal that majority of the private banks in Mogadishu has enough cash to meet its intended goals. Also there is a clear separation of duties. This study suggests that the internal auditors perform their duties fast, efficient and reliable

Control activities are the policies and procedures that help ensure that management directives are carried out, for example, that necessary actions are taken to address risks that threaten the achievement of the entity's objectives. Control activities, whether within IT or manual system, have various objectives and are applied at various organizational and functional levels. Generally, control activities that are relevant to an audit may be categorized as policies and procedures that pertain to the following: Performance reviews; These control activities include reviews and analyses of actual performance versus budgets, forecasts, and prior period performance; relating different sets of data, operating or financial to one another, together with analyses of the relationships and investigative and corrective actions; comparing internal data with extern al sources of information; and review of functional or activity performance with also Return on Equity which were found to be statistically significant. Lwiki *et al*., (2013) examined the impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya, by analyzing the extent to which lean inventory system, strategic supplier partnership and technology are being applied in these firms. The research survey was conducted in all the eight operating sugar manufacturing firms from the period 2002-2007. The primary data was collected using structured and semi-structured questionnaires administered to key informants in the organizations. Secondary data was obtained from annual financial performance statements available in the year Book sugar statistics. Descriptive statistics was used to test the impact of inventory management practices and Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicate that there exists a positive correlation between inventory management and Return on Sales and also with Return on Equity.

Wanjala 2015) assessed the effect of cash management practices on Matatu Sacco growth in Kimilili Sub-County. The study objectives were; to establish the effect of cash budgeting as a cash management practice on matatu Sacco growth; to establish the effect of cash control as cash management practice on Matatu Sacco growth. The target population of the study was 169 Matatu Sacco owners/ members. The study used a descriptive research design. The study employed both closed ended structured questionnaires and open ended unstructured questionnaires. Stratified and Random sampling techniques were used in determining a sample size of 34 Matatu Sacco member owners. Both descriptive and inferential Statistics were used in the study. Frequency distribution tables and percentages were used to present raw data for interpretation. Regression analysis was performed to establish the relationship between cash management practices and Matatu Sacco growth. A statistical package for social sciences was used in analyzing data. The findings of the study were cash management practices make a significant contribution to the growth of Matatu Saccos.

2.3.4 Information System Practices and Financial Performance

Beasley *et al*. (2000) examined the differences in corporate governance mechanisms between organization that were guilty of financial reporting fraud and those that were not. Unlike previous researchers, Beasley *et al*. (2000) segmented the organizations by industry concentration, technology, health care and financial services. Beasley et al used allegations made by the Securities and Exchange Commission (SEC) during the period 1987 and 1997 of fraudulent financial reporting to establish fraud organizations and data from the National Association of Corporations (NALD) to match the fraud organizations and establish a no fraud company comparison base. Beasley et al.'s findings indicated that organizations found guilty of financial reporting fraud had less independent boards, had few audit committees, the audit committee met less often, the audit committees were less independent, the board and audit committees had less internal audit support.

According to Ogneva *et al*. (2007) Information systems refer to the procedures put in place by an organization to identify, capture, process and report relevant and reliable information in a timely manner so that people can carry out their responsibilities effectively. In addition, these systems deal with both internally and externally generated/required data and flows both vertically and horizontally in the organization. Ogneva *et al*., (2007) looks at information and communication component as the identification, capture, and communication of pertinent information in an appropriate form and timeframe to accomplish the financial reporting objectives.

It includes the related business processes, relevant to financial reporting and communication. An information system consists of infrastructure (physical and hardware components), software, people, procedures, and data. Infrastructure and software have less significance, in systems that are exclusively or primarily manual. Many information systems make extensive use of information technology (IT). Williams et al (1999) define IT as technology that merges computing with high speed communications links carrying data, sound and video. Accordingly, an information system encompasses methods and records that: Identify and record all valid transactions. Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting. Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements. Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period. Present properly the transactions and related disclosures in the financial statements. (Williams et al 1999) stresses that protection of information system entails; control of access, audit controls that track that track servers and programs, and people controls (check resumes to confirm training and separate employee functions, input controls, and output controls).

2.5 Conceptual Framework

According to Jabareen, (2009) conceptual framework was a product of qualitative process of theorization, a network or “a place” of interlinked concepts that together provide a comprehensive understanding of a phenomenon.it showed the association between independent and dependent variables .Based on the Theory and literature: This study comprised of Audit control, risk, monitoring, information system as independent variables and financial performance as a dependent variable.

Independent variables **Dependent variable**

(Internal Control Practices) **(Financial Performance)**

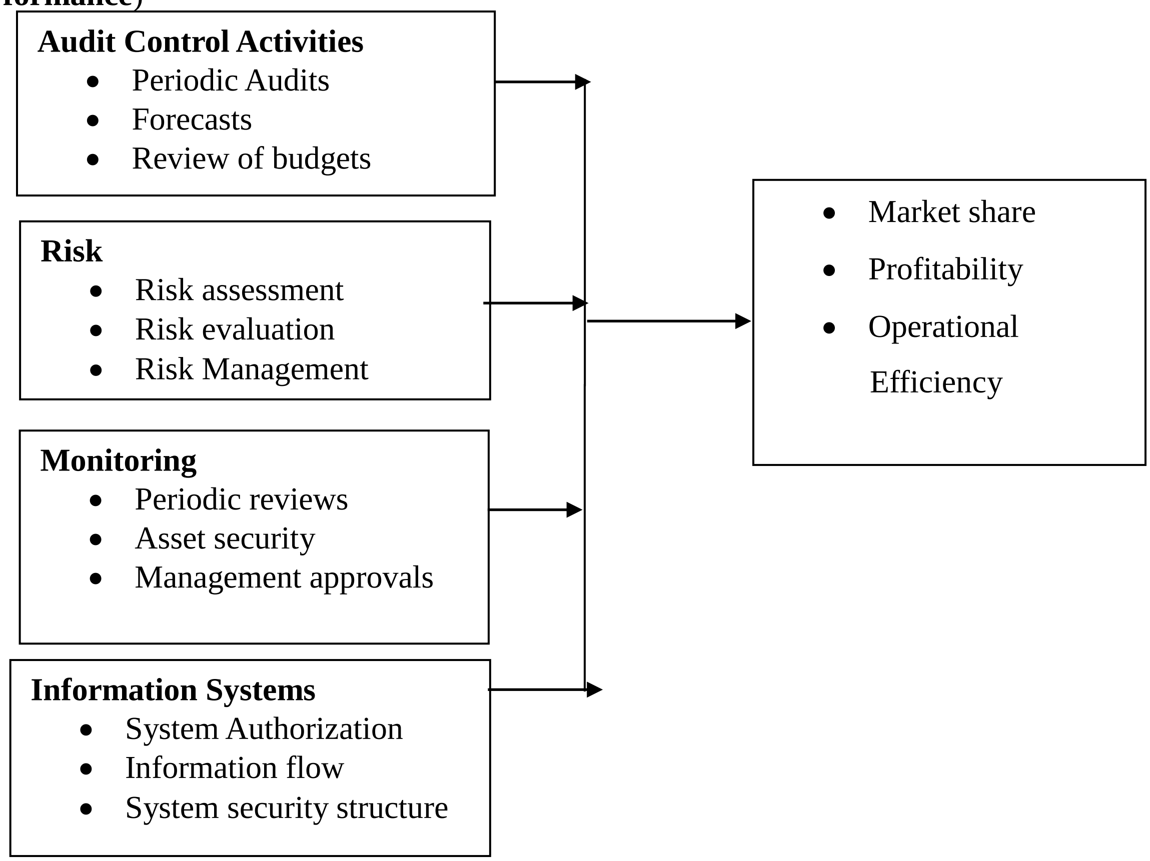

Figure 2.1 Conceptual Framework showing internal control practices and financial performance of Faith Based health facilities.

Source: Researcher (2019)

2.4 Research Gaps

Past literature review on the relationship between financial literacy and profitability of SMEs have posted mixed findings. The summary is as shown in Table 2.1.

Table 2.1 Research and Knowledge Gaps

Author	Focus	Design	Findings	Gap filled and how the present study addressed them
Abdi (2015)	Impact of internal control system on financial performance in Mogadishu private banks.	Survey	Majority of the private banks in Mogadishu has enough cash to meet its intended goals.	The study was done in commercial banks in Mogadishu. This presented conceptual and contextual gaps. The present study was done in faith based facilities in Kenya.
Hamza, Mutala and Antwi (2015)	Cash management practices and its effect on the financial performance of SMEs in the Northern Region of Ghana	Survey	Cash management practices have influence on the financial performance of SMEs	Study was done in Ghana and concentrated on cash management on SMEs financial Performance thus conceptual and contextual gaps. The present study was done in Kenya and established relationship between internal control practices and financial performance.
Wanjala (2015)	assessed the effect of cash management practices on Matatu Sacco growth in Kimilili Sub- County	Survey	Cash management practices make a significant contribution to the growth of Matatu Saccos.	The study concentrated on cash management and growth of Matatu Sacco. This presented conceptual gap. The present study was done in faith based facilities.

Lwiki et al., (2013)	Impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya	Survey	There exists a positive correlation between inventory management and Return on Sales and also with Return on Equity.	The study concentrated on inventory management practices and financial performance in sugar firms. This presented conceptual gap. The present study was done in faith based facilities in Kenya.
Duru, Okpe and Udeji (2014)	Impact of inventory management practices on the financial performance of engineering firms in Nigeria	Documentary analysis	There exists a positive correlation between inventory management and Return on Asset and also with Return on Equity which were found to be statistically significant	The study was done in Nigeria and concentrated on inventory management practices of engineering firms. The present study was done in faith based facilities in Kenya thus conceptual gap.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used in this study. The first section describes the type of study, research design, area of study, target population, Sample and sampling techniques, Research instruments, validity and reliability of instruments, data collection procedures and analysis. This study was designed to investigate the effect of internal control practices on financial performance of faith based facilities in Kakamega County, Kenya.

3.1.1 Research Design

In this study, descriptive survey design was used. In view of this, the field survey method was adopted to collect quantitative and qualitative data, using questionnaires and interviews. Both qualitative and quantitative approaches were used in data analysis. Mugenda (2010) pointed out that cross sectional survey research provided data that objectively showed whether significant relationship among variables existed. The design was therefore suitable to this study since it established the effect of internal control practices on financial performance of faith based facilities.

3.1.2 Area of Study

The study was carried out in Kakamega County. Kakamega County is one of the four counties in the former western Province of Kenya. It boarders Vihiga County to the south, Siaya County to the West, Bungoma County to the north and Nandi County to the east. The county covers an area of approximately 3050.3 Km2 It has twelve sub counties namely Navakholo, Kakamega East, Kakamega South, Kakamega Central, Malava, Lugari, Ikolomani, Mumias West, Mumias East, Matungu, Butere and Khwisero. The county population was projected to 1,929,401 and 2,028,324 by 2015 and 2017 respectively with an estimated 973,595 males and 1,054,729 females as at 2017.The population growth rate for the County is estimated at 2.5 percent exerting great pressure on existing medical facilities. The County was selected due to its proximity to the researcher to reduce costs of carrying out research.

3.1.3 Target Population

According to Sekaran (2010), Population of a study is an entire group of people; events or things of interest that a researcher wishes to study.

Table 3. 1 Target Population

S/N	Health Facility	Population
1	Ahmadiya Muslim Hospital	50
2	ST. Mary's Hospital(Mumias)	200
3	ST. Charles Lwanga Health Center	100
4	ST. Elizabeth Hospital Mukumu	135
5	ST. Pius Musoli Health Center	35
6	ST. James Memorial Medical Clinic	30
TOTAL		**550**

Source: Kakamega County, (2017)

The target population of this study were all the 285 employees in Faith Based health facilities in Kakamega County. The employees were grouped according to the facility they are employed. The unit of analysis was employee from Faith Based health facilities. Table 3.1 shows the target population of the study

3.2.1 Sample size and sampling techniques

A sample is "a smaller (but hopefully representative) collection of units from a population used to determine truths about that population" (Field, 2005) and the sampling frame is the list from which the potential respondents are drawn. This study employed a probability sampling scheme, one in which every unit in the population has a chance (greater than zero) of being selected in the sample, and this probability can be accurately determined using Simple random sampling because the population is small, homogeneous & readily available (Fisher's 2002). Stratified simple random sampling was adopted in choice of study respondents to ensure sample are drawn from each facility in the target population.

Table 3. 2 Sample Frame and Sample size

	Health Facility	**Population**	**Strata**	**Sample size**
1	Ahmadiya Muslim	50	1	21
2	ST. Mary's	200	2	82
3	ST. Charles Lwanga	100	3	41
4	ST. Elizabeth Hospital	135	4	56
5	ST. Pius Musoli Health	35	5	14
6	ST. James Memorial	30	6	12
	Totals	**550**		**226**

Sampling is the process of selecting a section of respondents from the population for investigation purposes (Mugenda and Mugenda, 2003). Stratified simple random sampling was adopted in choice of study respondents to ensure samples were drawn from each facility in the target population. The sample size of the study was determined by applying Fisher *et al*., (1998) formula

$$n = \frac{z^2 p(1-p)}{d^2}$$

Where; *n*= sample size,

z= the standard normal deviate value for the level of confidence, for instance 95% level of confidence =1.96.,

d= margin of error or level of precision at 0.05 for CI at 95%

p= proportion to be estimated, Israel (2009) recommends that if one does not know the value of p then it should be assumed; p=0.5

Therefore, sample size is arrived at as follows:

$$n = \frac{(1.96^2)(0.5)(1-0.5)}{(0.05)^2}$$

$$n = 384$$

Since the population is less than 10,000, the sample size was adjusted as follows according to Fisher formula:

$n_0 = n/ (1+ ((n -1)/ N))$ where n_0 represents adjusted sample size;

$n_0=384/ (1+ ((384-1)/550)$

N= Population

$n_0=226$

The sample size of the study was therefore to be 226 respondents distributed as shown in Table 3 .2. The questionnaires was distributed in hard copy format to six starters of Health Facility adding up to 226 respondents.

3.2.2 Research Instruments

The main research instruments used to collect data in the survey were questionnaires, interview schedules, observation and content Analysis.

3.2.3 Questionnaire

The questionnaires were used in the study to help the researcher gather the perception of respondents about the effect of internal control practices on financial performance of faith based facilities. The semi-structured questionnaire which comprised of closed ended questions on a five point Likert type scale ranging from strongly disagree (1) – to strongly agree (5) as shown in Appendix 11. The questionnaire captured information on the variables and was divided into three sections. The first section covered questions to capture background information of respondents, the second section covered questions on internal control processes while the third section captured information on financial performance.

3.2.4 Content Analysis

For the study to be successful, content analysis involved looking at the financial records of the institutions data to establish financial aspect for the past five (5) years and policy documents shall be required. A Matrix as a guideline was developed for collecting this information. This was to guide the researcher to gather necessary information about the study to answer specific objectives that can be fully answered through other instruments.

3.2.5 Observation

Observation as an instrument of study was used in this research to gather operational needs of study about the effect of internal control practices on financial performance.

3.3 Reliability and Validity of Instruments

Cronbach's Alpha coefficient (α) was used to measure the internal consistency of the instrument. In this research, the concern on reliability of instruments was to determine whether the measures employed repeatedly on the same individuals from different institutions will yield similar results (stability), if the measures in comparison with other researchers yield similar results (equivalence) and that given a set of different operational definitions of the same concept employed on the same individuals, using the same data-collecting technique will it give a highly correlated result from the different institutions? Or, will all items of the measure be internally consistent? (Homogeneity). The Validity will concern the determination that the measure employed really measure the theoretical concept of the study.

3.3.1 Validity of the instruments

The questionnaire was designed to gather information from the respondents as is required to measure. To also validate the instruments a pre-test was conducted.

Kothari (2014) refers to validity as the degree to which research instrument measures what it is supposed to measure. Content validity aims at ensuring that the test items adequately and sufficiently cover the content of interest for the study (Rahim, 2016). According to Liu (2010), the context validity index is calculated as:

$$\text{Content validity} = \frac{\text{Number of items declared Valid}}{\text{Total Number of items}}$$

Content validity of the instruments was established in three stages: The researcher critically considered each item to see if it contains a real representation of the desired content and see if it measured what it was supposed to measure after considering the constructs (concepts) to be measured. Content validity was determined to establish representation of the items with respect to components of internal control process in relation to financial performance of Faith Based health facilities. In order to ensure validity of the instruments, the developed instruments were presented to my supervisors at Kibabii University to check for appropriateness of the content, clarity and adequacy in relation to the research objectives and research questions. Construct validity was ensured by using short, simple and precise questions capturing only necessary information, minimizing biases and avoiding sensitive issues.

3.3.2 Reliability of the Instrument

An instrument should produce the same result every time it is used to the extent. The study therefore involved carrying out a pilot study by performing same survey with the same respondents within one week (test-retest method) and determine reliability by calculating Pearson correlation coefficients of the two sets, which was used as a quantitative measure of the test-retest reliability whose outcome gave negligible difference.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where

N=number of indicators or number of items,

C=mean inter-indicator correlation,

Alpha’s coefficient range in value from 0 to 1. It was used to describe the reliability of the instrument for multi-point formatted scales (i.e., 1 = very dissatisfied to 5 = very satisfied). The higher the value, the more reliable the instrument is. The reliability of coefficient of 0.7 and above will be accepted as a good measure of reliability. The Cronbach Alpha of coefficient value from the results was as presented in Table 3.3.

Table 3. 3 Reliability Test

Reliability Statistics	
Cronbach's Alpha	Number of Items
0.819	29

From table 3.3, the Cronbach Alpha of coefficient was 0.819 for all the 29 questionnaire items which implied the research instrument was reliable since this value was above 0.7 as recommended in social sciences by Cronbach (1951). The purpose was to ensure that everyone in the sample not only understands the questions but also understands them in the same way (Mugenda, 2008). Piloting tests the level of the language used and highlights probable typographic errors. For the study to be effective, the pilot sample must be representative of the variety of individuals that the main study was intended to cover. Hill (1998) proposes 10 to 30 respondents to pilot study in survey research. Three Public Hospital in Kakamega County were randomly be selected for pilot testing. After pilot testing of the instrument on the proposed 30 number of people a maximum number was used to reduce the chances of error in the process , the researcher looked at the pattern in the feedback and used the data to revise the instrument.

3.4 Data Analysis and Procedures

The researcher obtained introduction letters from Kibabii University and NACOSTI research permit allowing for data collection. In addition to this, other authorizations from relevant authorities in the operating counties shall be sort before administering the research instrument. A Research permit was obtained from NACOSTI. The researcher personally visited the target population and distributed questionnaires to the 200 respondents distributed whom were given enough time to respond to the instrument and thereafter the team collected the instruments in readiness for analysis.

The researcher established that the entire questionnaires was dully completed. The data on the questionnaire was coded, classified and summarized for analysis. Descriptive analysis was done to describe the population and test the objectives. This enabled the researcher to get the percentages and counts of the respondents‟ opinion on the issues being researched.

3.5 Data Analysis and Presentation

The data was analyzed using both descriptive and inferential statistics using statistical package for social sciences (SPSS, version 21). Descriptive statistics such as mean, percentages and frequency distribution were used. Inferential statistics was used to test the nature and magnitude of the hypothesized relationships using student t-test, F-test interpretation an over and regression analysis at 95% confidence level and at 0.05 significance. The study objectives, hypotheses and data analytical models are summarized in Table 3.4

Table 3.4 Hypotheses Testing Framework and Analytical Model

Objective(s)	Research Hypotheses	Analytical Models and Analysis	Interpretation of results
To establish effect of risk assessment control practices on financial performance of faith based facilities in Kakamega County.	Ho1: There is no significant effect of risk assessment control practices on financial performance of faith based facilities	Simple Regression $FP= \beta_0+\beta_{21}RA + \varepsilon$ Where : FP = Financial performance RA= Risk Assessment Practices	R^2 determined how much change in FP is attributed to RA F-tested overall model statistical significance P-value determined the significance of the model. If p-value was found to be less or equal to 0.05 (p-value≤0.05) the hypothesis was rejected or otherwise
To establish effect of audit activities on financial performance of faith based facilities in Kakamega County.	Ho1: There is no significant effect of periodic review control practices on financial performance of faith based facilities	Simple Regression $FP= \beta_0+\beta_{21}AA + \varepsilon$ Where: FP = Financial performance AA= Audit Activities	R^2 determined how much change in FP was attributed to AA F-tested overall model statistical significance P-value determined the significance of the model. If p-value was found to be less or

			equal to 0.05 (p-value≤0.05) the hypothesis was rejected or otherwise
To establish effect of monitoring control practices on financial performance of faith based facilities in Kakamega County.	Ho1: There is no significant effect of monitoring control practices on financial performance of faith based health facilities	Simple Regression $FP= \beta_0+\beta_{21}MC + \varepsilon$ Where : FP = Financial performance MC= Monitoring Control practices	. R^2 determined how much change in FP was attributed to MC F-tested overall model statistical significance P-value determined the significance of the model. If p-value was found to be less or equal to 0.05 (p-value≤0.05) the hypothesis was rejected or otherwise
To establish effect of information system control practices on financial performance of faith based facilities in Kakamega County.	Ho1: There is no significant effect of information system control practices on financial performance of faith based facilities	Simple Regression $FP= \beta_0+\beta_4IS + \varepsilon$ Where : FP = Financial performance IS= Information System Practices	R^2 determined how much change in FP was attributed to IS F-tested overall model statistical significance P-value determined the significance of the model. If p-value was found to be less or

		equal to 0.05 (p-value≤0.05) the hypothesis was rejected or otherwise

Source: Researcher, 2019

3.5.1 Multiple Regression Analysis

Regression analysis is a constructive statistical technique that can be used to analyze the associations between a set of independent variables and a single dependent variable (Lind,2008).According to Jakson (2009)as cited by Kariuli et al.,(2015),multiple regression analysis involves combining several predictor variable in a single regression equation .This examined how changes in the four independent variables influenced changes in the dependent variable.Regression model fitness was estimated using coefficient of determination which helps explain how closely the predictor variable explains the variations in the dependent variable .T-test statistic was used to test the significance of each individual predictor and the Pwas used to make conclusion on wether to reject or accept the null hypotheses .The level of significance of 5%was used as a benchmark.If the P value is less than 0.05 at 5% significance level ,reject the null hypotheses and accept the alternative vice versa(Linyuru et al .,2015)To determine the structurak relationship between audit control, risk ,monitoring and information system andfinancial of Faith Based health facilities in Kakamega county.The following linear regression was applied to:

$FP= \beta_0+\beta_{21}RA+ \beta_{21}AA+ \beta_{21}MC+ \beta_4 IS + \varepsilon$

Where :

FP = Financial performance.

RA= Risk Assessment Practices.

AA= Audit Activities.

MC= Monitoring Control practices.

IS= Information System Practices.

ε=Stochastic Term.

3.6 Ethical Considerations

The researcher sought permission from the following authorities before undertaking the study: letters of consent from the ministry of Education Science and Technology and the management of faith based institutions under study. The purpose of the study and its implications was explained before getting formal consent to collect the data. The research ensured protection of the subject's identity and privacy by using codes and not names on the questionnaires. The questionnaires were also sensitive to the subjects' feelings and values so as not to embarrass or intimidate them. With their consent the researcher carried out the study while ensuring to keep the promises and commitments made in handling the data obtained. The researcher did not falsify, or invent findings to meet a researcher's or an audience's needs. In the interpretation of data, the researcher provided an accurate account of the information.

This chapter describes the methodology to that was used in conducting the study. These include: research design, target population, sample size and sampling procedure, research instruments, pilot testing of the instruments, validity of the instruments, reliability of the instruments, data collection procedures, data analysis technique and ethical consideration.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DICUSSSIONS

4.1 Introduction

This chapter presents the study findings which has been organized and discussed using themes and sub thematic areas formulated from the objectives. These include: Questionnaires return rate, Demographic characteristics of the respondents, risk assessment control practices on financial performance of faith based facilities in Kakamega County, audit activities on financial performance of faith based facilities in Kakamega County, monitoring control practices on financial performance of faith based health facilities in Kakamega County and information system control practices on financial performance of faith based health facilities in Kakamega County.

4.2 Questionnaires Return Rate

The study used one questionnaire for the sampled groups which was made up employees of the faith based health facilities. Table 4.1 shows the questionnaire return rate. A total of 226 questionnaires were issued to the respondents out of which 213 questionnaires were correctly filled and returned. This constituted 94.2% of which was considered adequate and in line with Kothari (2004) who recommended that a return rate of more than 80% was acceptable in social science research. The results are presented in Table 4.1.

Table 4. 1 Questionnaire Return Rate

Response rate	Frequency	Percentage
Response	213	94.2
Non- response	13	5.8
Total	226	100

4.3 Demographic Characteristics of Respondents

Demographic characteristics of respondents refer to their background information. Several questions were asked in order to establish their background information. The questions comprised information on age, education level and years of experience. They are discussed in the following subsections.

4.3.1 Distribution of Respondents by Gender

The first question was to establish gender of the respondents. Respondents were asked to indicate their gender and the results were as presented in Table 4.2.

Table 4. 2 Distribution of Respondents by Age

Gender	Frequency	Percent	Cumulative Percent
Male	93	43.7	43.7
Female	120	56.3	100.0
Total	**213**	**100.0**	

According to the results in Table 4.2, 93(43.7%) of the respondents were male while the remaining 120 (56.3%) were female. This finding goes against gender parity as articulated in constitution of Kenyan, (2010). This could be attributed by the fact that most health related jobs are still assumed to be female work based on cultural perceptions.

4.3.2 Distribution of Respondents by Age

Respondents were asked to state their age in relation to financial performance of faith based health facilities. This was important to establish whether age played any key role in financial performance. The respondents were to indicate the age bracket that best described their age. The results were as shown in Table 4.3.

Table 4. 3 Distribution of Respondents by Age

Age Bracket	Frequency	Percent	Cumulative Percent
20 to 30 years	92	43.2	43.2
31 to 40 years	61	28.6	71.8
41 to 50 years	50	23.5	95.3
51 years and above	10	4.7	100.0
Total	213	100.0	

From the results in Table 4.3, 92 (43.2%) of the respondents were aged between 20-30 years, 61 (28.6%) were aged between 31- 40 years, 50 (23.5%) were aged between 41-50 years while the remaining 10(4.7%) were 51 years and above. Majority of the respondents, 203 (77.5%) were in the age bracket of between 30 to 50 years. The age of the majority of respondents is important because it is an active age that is quite productive in determining the success of any given task (Sin, 2010).

4.3.3 Distribution of Respondents by Education

Education qualification was key to determine the level of education of respondents in relation to financial performance of faith based health facilities. This was important to ascertain education background of respondents since education imparts knowledge, values and skills that could influence financial performance. The results were as shown in Table 4.4.

Table 4. 4 Education Level of Respondents

Education Level	Frequency	Percent	Cumulative Percent
College	127	59.6	59.6
University	56	26.3	85.9
Post graduate	19	8.9	94.8
Professional Qualification	11	5.2	100.0
Total	**213**	**100.0**	

The results in Table 4.4 shows that out of 213 respondents who participated in the study 127 (59.6%) had college education, 56 (26.3%) had university education, 19 (8.9%) had postgraduate while 11 (5.2%) had other professional qualification. This shows that the level of education of the people involved in the adequate for financial performance. Consequently, if financial performance is low, then there is something else influencing it negatively other than education qualification.

4.3.4 Years of Experience

The responses were also to indicate the years they have worked in the institution. Summary of the results was presented in Table 4.5

Table 4. 5 Distribution of Respondents by Years of Experience

Years of experience	Frequency	Percent	Cumulative Percent
Less than 5 years	133	62.4	62.4
between 5 to 10 years	73	34.3	96.7
Over 10 years	7	3.3	100.0
Total	**213**	**100.0**	

The results show that out of 213 respondents who participated in the study, 133(62.4%) respondents less than 5 years of work experience, 73 (34.3%) have between 5 to 10 years of work experience, 7(3.3%) have over 10 years of work experience. Majority of the respondents have over 10 years of work experience at the faith based health facilities. Experience is an important factor in financial performance of faith based health facilities.

4.4 Test of Statistical Assumption Analysis of Likert –Type Data.

Given that the study used a questionnaire that was put on a Liker scale, there were two major diagnostic tests that were carried out namely normality tests and multi-collinearity test. This tests are important to qualify the use of regression in the latter sections of this chapter. They were as discussed in the following sub-sections.

4.4.1 Normality Test

The tests are of importance before analysis of the linear regression model. The coefficient alpha is an appropriate measure of variance attributable to subjects and variance attributable to the interaction between subjects and items (Keya and Rahmatullah, 2016). Factor analysis is an exploratory tool used to help the researcher make decisions on whether the independent variables under study explain the dependent variable (Field, 2005). Before then, the study established if the variables under study are normally distributed or not. The normality test compares the shape of the study sample distribution to the shape of a normal curve. The study used Kaiser-Meyer-Olkin (KMO) to measure sampling normalcy and adequacy. The results were as shown in Table 4.6.

Table 4. 6 Normality and Adequacy Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.820
Bartlett's Test of Sphericity	Approx. Chi-Square	3337.651
	df	190
	Sig.	.000

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate and thus indicate data came from a normally distributed population. Values below 0.5 imply that factor analysis may not be appropriate and may not have come from a normally distributed data (Kaiser, 1974). The KMO and Bartlett's Test normally ranges between 0 and 1. Kaiser (1974) recommends 0.5 as minimum (barely accepted), values between 0.7 - 0.8 acceptable and values above

0.9 are superb. The results of the normality test were as shown in table 4.6. From the results, Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.820 which was acceptable and significant since p=0.000, thus indicating the results of the sample size were adequate and that data was normally distributed. Hence the study qualified to carry out regression model to establish the relationship between the independent and dependent variables of the study.

4.4.2 Multi-Collinearity Test of Independent Variables

According to Alin (2010), multi-collinearity exist when at least two independent variables in a statistical model are linearly related such that the correlation coefficient R is either greater or less than zero. The variance inflation values needed to range between 1- 10. However if the Variance inflation Factor (VIF) were less than 1 or greater than 10, then there was Multicollinearity. Table 4.7 shows the results.

Table 4. 7 Multi-Collinearity Test

Coefficients[a]		
Model		**Collinearity Statistics**
		Variance Inflation Factor (VIF)
	(Constant)	
	Risk Assessment	1.351
1	Audit activities	1.693
	Monitoring control practices	3.458
	Information system practices	4.088

a. Dependent Variable: Financial Performance

From the results, risk assessment had a VIF of 1.351, audit activities had 1.693, monitoring control practices had 3.458 and information system practices had 4.088. From the results, variance inflation values were ranging between 1- 10, hence the data was not suffering from multi-collinearity. The study was therefore fit for further inferential analysis using regression after passing normality and multi-collinearity tests.

4.5 Descriptive and Inferential Statistics

This section discusses both descriptive and inferential statistics based on the following sub-thematic areas: risk assessment control practices on financial performance of faith based facilities in Kakamega County, audit activities on financial performance of faith based facilities in Kakamega County, monitoring control practices on financial performance of faith based health facilities in Kakamega County and information system control practices on financial performance of faith based health facilities in Kakamega County.

4.5.1 Risk Assessment Control Practices and Financial Performance

The first objective the study sought to achieve was to assess how risk assessment control practices influence financial performance. To achieve this, the respondents were asked to give their opinion showing the level of their agreement or disagreement with the statement provided in a Likert scale of 1- 5 where: Strongly agree (SA)=5, Agree(A)= 4, Neutral or not sure (N)= 3, Disagree (D)= 2 and Strongly disagree (SD) = 1. The five statements on risk assessment control practices' results are presented in Table 4.8.

Table 4. 8 Descriptive Statistics of Risk Assessment Practices

No	Statements	SA f (%)	A f (%)	NS f (%)	D f (%)	Mean	Std Deviation
1.	Our organization evaluates risks that occur before taking any action	146(65.7)	46(21.6)	24(11.3)	3(1.4)	4.5164	0.74882
2.	Employees in our organization are taken through risk analysis process	120(56.3)	83(39)	10(4.7)	0(0)	4.5160	0.58758
3.	We have a team that analyses risks and provide way forward in managing them	156(73.2)	43(20.2)	10(4.7)	4(1.9)	4.6479	0.66089
4.	Every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities	176(82.6)	35(16.4)	2(0.9)	0(0)	4.8169	0.41177
5.	The institution understands the risks involved while involved at work place	126(59.2)	48(22.5)	34(16)	5(2.3)	4.38850	0.83675
	Composite Mean					4.57714	0.64912

Statement one; our organization evaluates risks that occur before taking any action. Out of 213 who responded, 146 (65.7%) strongly agreed, 46(21.6%) agreed, 24(11.3%) were not sure while 2(0.6%) disagreed. This meant majority of the respondents 192 (87.3%) agreed that the organization evaluates risks that occur before taking any action. The statement mean of 4.5164 was below the composite mean of 4.57714 meaning the evaluation of risks that occur before taking any action influences the least on financial performance.

Statement two; employees in our organization are taken through risk analysis process. Out of 213 respondents, 120(56.3%) strongly agreed, 83(39%) agreed, 10(4.7%) were not sure while (0%) disagreed and strongly disagreed respectively. Majority of the respondents 203(95.3%) agreed employees are taken through risk analysis process. The statement mean 4.5160 was below the composite mean 4.57714 meant employees being taken through risk analysis process does not influence financial performance and therefore there is need to strengthen it.

Statements number three; we have a team that analyses risks and provide way forward in managing them. Out of 213 respondents 156 (73.2%) strongly agreed, 43(20.2%) agreed, 10(4.7%) were not sure, 4(1.9%) disagreed while 0(0%) strongly disagreed. Majority of the respondents 199(93.4%) agreed that there is a team that analyses risks and provide way forward in managing them though 4 (1.9%) disagreed. The statement mean 4.6479 was below the composite mean 4.57714.This means that the statement does not influence financial support and hence should be enhanced. Statement number four; every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities. Out of 213 respondents, 176(81.3%) strongly agreed, 35(16.4%) agreed, 2 (0.9%) were not sure while 0(0%) disagreed and strongly disagreed respectively. Majority of the respondents 211 (97.7%) agreed every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities. The mean of the statement was 4.8169 was above the composite mean 4.57714

.This means the every head of section being keen to ensure that individuals realize the risks associated with their daily activities supports financial performance.

According to statement number five; the institution understands the risks involved while involved at work place. Out of 213 respondents, 126 (59.2%) strongly agreed, 48(22.5%) agreed, 34 (16%) were not sure 5(2.3%) disagreed while 0(0%) strongly disagreed. Majority of the respondents 174 (81.7%) agreed the institution understands the risks involved while at work place. The statement mean 4.38850 was below the composite mean 4.57714. This meant institution understanding the risks involved at work place does not support financial performance and hence should be enhanced. Basing on the response the n it can be concluded that the null hypothesis is rejected, that "There is no significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County."

4.5.2 Audit Control Activities and Financial Performance

The second objective the study sought to achieve was to establish influence of audit control activities on financial performance. To achieve this objective, the respondents were asked to give their opinion showing the level of their agreement or disagreement with the statements provided in a Likert scale of 1- 5 where: Strongly agree (SA)=5, Agree(A)= 4, Neutral or not sure (N)= 3, Disagree (D)= 2 and Strongly disagree (SD) = 1. The five statements on audit control activities results are presented in table 4.9.

Table 4. 9 Descriptive Statistics of Audit Control Activities

No	Statements	SA f (%)	A f (%)	NS f (%)	D f (%)	SD f (%)	Mean	Std Deviation
1.	Our organization has a clear audit procedure	104(48.8)	91(42.7)	18(8.5)	0(0)	0(0)	4.3427	0.62938
2.	Our organization does forecasts to evaluate the risks involved in each activity undertaken	145(68.1)	42(19.7)	18(8.5)	8(3.8)	0(0)	4.5211	0.80434
3.	In our organization, roles of auditors are never interfered with by management	178(83.6)	31(14.6)	4(1.9)	0(0)	0(0)	4.8169	0.43361
4.	The audit reports are available for scrutiny by all heads of departments	120(56.3)	44(20.7)	32(14)	7(3.3)	10(4.7)	4.2066	0.40937
5.	Our organization does periodic audits	88(41.5)	96(45.1)	16(7.5)	3(1.4)	0(0)	4.1690	0.97108
	Composite mean						4.41126	0.649556

Statement one; our organization has a clear audit procedure. Out of 213 respondents, 104(48.8%) strongly agreed, 91(42.7%) agreed, 18(8.5%) was not sure while 0(0%) disagreed and strongly disagreed respectively. Majority of the respondents 195(91.5%) agreed their organization has a clear audit procedure. The item mean was 4.3427 was above the composite mean 4.41126 which implied organization having a clear audit procedure matters for financial performance.

Statements two; our organization does forecasts to evaluate the risks involved in each activity undertaken. Out of 213 who responded, 145 (68.1%) strongly agreed, 42(19.7%) agreed, 18(8.5%) were not sure, 8(3.8%) disagreed and 0(0%) strongly disagreed respectively. Majority of the respondents 187(87.8%) agreed their organization does forecasting to evaluate the risks involved in each activity undertaken. The items mean 4.5211 was above the composite mean of 4.41126 implied the organization doing forecasting to evaluate the risks involved in each activity undertaken influences financial performance.

Statement three; in our organization, roles of auditors are never interfered with by management. Out of 320 who responded, 178(83.6%) strongly agreed, 31(14.6%) agreed 4(1.9%) were not sure, 0(0%) disagreed and strongly disagreed respectively. Majority of the respondents 209 (98.2%) agreed roles of auditors are never interfered with management. The statement mean 4.8169 was above the composite mean 4.41126 which implied role of auditors not being interfered by management supports financial performance.

Statement four; the audit reports are available for scrutiny by all heads of departments. From 213 respondents, 120 (56.3%) strongly agreed, 44(20.7%) agreed, 32(14%) were not sure, 7(3.3%) disagreed and 10(4.7%) strongly disagreed respectively. Majority of the respondents 164(77%) agreed audit reports are available for scrutiny by heads of departments. The statement mean 4.2066 was below composite mean 4.41126 which meant audit reports are available for scrutiny by all heads of departments does not support financial performance and it should be enhanced.

Statement five; our organization does periodic audits. Out of 213 respondents, 88 (41.5%) strongly agreed, 96 (45.1%), agreed, 16(7.5%) were not sure, 3(1.4) disagreed and 0(0%) strongly agreed respectively. Majority of the respondents 184 (86.6%) agreed organization does periodic audit. The statement mean 4.1690 was below the composite mean 4.41126 implying organization doing periodic audits does not support financial performance and should therefore be enhanced.

The findings are in agreement with a study by Lwiki et al., (2013) who examined the impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya, by analyzing the extent to which lean inventory system, strategic supplier partnership and technology are being applied in these firms. The results indicate that there exists a positive correlation between inventory management and Return on Sales and also with Return on Equity. Basing on the response the n it can be concluded that the null hypothesis is rejected, that "There is no significant effect of audit control practices on financial performance of Faith Based health facilities in Kakamega County."

4.5.3 Monitoring Control Activities and Financial Performance

The third objective of the study aimed to establish effect of monitoring control activities on financial performance of faith based health facilities.

Table 4. 10 Descriptive Statistics of Monitoring Control Activities

No	Statements	SA f (%)	A f (%)	NS f (%)	D f (%)	SD f (%)	Mean	Std Deviation
1.	Our organization does periodic audits	88(41.3)	96(45.1)	16(7.5)	3(1.4)	10(4.7)	4.1690	0.97108
2.	In our institution, employees are responsible for security of all assets assigned to them	136(63.8)	40(18.8)	16(7.5)	11(5.2)	10(4.7)	4.3192	0.11654
3.	Our organization has ensured all computers have pass words for log in by respective assigned officers	148(69.5)	45(21.1)	7(3.3)	3(1.4)	10(4.7)	4.4930	0.98393
4.	Our institution carries out periodic counting of assets	122(57.3)	43(20.2)	27(12.7)	7(3.3)	14(6.6)	4.1831	0.18134
5.	In our organization, communication between departments is documented for follow up	105(49.3)	78(36.6)	12(5.6)	4(1.9)	14(6.6)	4.2019	0.18662
	Composite mean						4.2732	0.4879

In order to achieve this objective, the respondents who participated in the study were asked to give their opinion on the extent they agree or disagree with the statements provided on a Likert scale of 1-5 where: Strongly agree (SA)=5, Agree(A)= 4, Neutral or not sure (N)= 3, Disagree (D)= 2 and strongly disagree (SD) = 1. The five statements on monitoring control activities results are presented in table 4.10. Statement one; our organization does periodic audits. Out of 213 who responded, 88 (41.3%) strongly agreed, 96(45.1%) agreed, 16 (7.5%) were not sure 3(1.4) disagreed and10 (4.7) strongly disagreed respectively. The statement mean 4.1690 was below the composite mean

4.2732 which meant, organization doing periodic audit does not affect financial performance.

Statement two; in our institution, employees are responsible for security of all assets assigned to them. Out of 213 who responded, 136 (63.8%) strongly agreed, 40(18.8%) agreed, 16(7.5%) were not sure, 11(5.2%) disagreed while 10(4.7%) strongly disagreed respectively. The statement mean 4.3192 was above the composite mean 4.2732 implying institution employees being responsible for security of all assets assigned to them supports financial performance.

Third statement; our organization has ensured all computers have pass words for log in by respective assigned officers. Out of 213 respondents, 148 (69.5%) strongly agreed, 45 (21.1%) agreed while 3(1.4%) disagreed and 10(4.7%) strongly disagreed respectively. The statement mean 4.4930 was above the composite mean 4.2732 implying organization ensuring all computers have passwords supports financial performance.

Statement four; our institution carries out periodic counting of assets. Out of 213 who responded, 122 (57.3%) strongly agreed, 43(20.2%) agreed, 27 (12.7%) were not sure 7(3.3) disagreed and14 (6.6) strongly disagreed respectively. The statement mean 4.1831 was below the composite mean 4.2732 which meant, institution carrying out periodic counting of assets supports financial performance. Statement five; in our organization, communication between departments is documented for follow up. Out of 213 who responded, 105 (49.3%) strongly agreed, 78(36.6%) agreed, 12(5.6%) were not sure, 4(1.9%) disagreed while 14(6.6%) strongly disagreed respectively. The statement mean

4.2019 was below the composite mean 4.2732 implying documenting communication between departments does not supports financial performance.

The research findings are similar to those of Abdi (2015) who investigated the impact of internal control system on financial performance in Mogadishu private banks, whose findings revealed that majority of the private banks in Mogadishu has enough cash to meet its intended goals. Also there is a clear separation of duties. Basing on the response the n it can be concluded that the null hypothesis is rejected, that “There is no significant effect of monitoring control activities on financial performance of Faith Based health facilities in Kakamega County.”

4.5.4 Information Systems Practices and Financial Performance

The fourth objective the study aimed to achieve was to establish effect of information technology practices on financial performance of health based facilities. To achieve this objective respondents were asked to give their opinions to the extent they agree or disagree with the statements provided in a Likert scale 1 – 5 where; Strongly agree (SA)=5, Agree(A)= 4, Neutral or not sure (N)= 3, Disagree (D)= 2 and strongly disagree (SD) = 1. The six statements on availability of resources are presented on table 4.11. Statement one; the management in our organization appreciates the need for individual departments to work together to achieve overall organization objectives. Out of 213 who responded, 88 (41.3%) strongly agreed, 96(45.1%) agreed, 16 (7.5%) were not sure 3(1.4) disagreed and 10 (4.7) strongly disagreed respectively. The statement mean 4.1690 was below the composite mean 4.2732 which meant, the management in the organization appreciating the need for individual departments to work together to achieve overall organization objectives does not support financial performance and should be enhanced. Statement two; our organization appreciates an open and interactive information identification before being send to intended group/department/ person. Out of 213 who responded, 146 (68.5%) strongly agreed, 42(19.7%) agreed, 7(3.3%) were not sure, 4(1.9%) disagreed while 14(6.6%) strongly disagreed respectively.

Table 4. 11 Descriptive Statistics of Information Technology

No	Statements	SA f (%)	A f (%)	NS f (%)	D f (%)	SD f (%)	Mean	Std Deviation
1.	The management in our organization appreciates the need for individual departments to work together to achieve overall organization objectives	88(41.3)	96(45.1)	16(7.5)	3(1.4)	10(4.7)	4.1690	0.97108
2.	Our organization appreciates an open and interactive information identification before being send to intended group/department/ person	146(68.5)	42(19.7)	7(3.3)	4(1.9)	14(6.6)	4.3192	0.11654
3.	Our organization has clear procedures on how to save vital information in soft copies	119(55.9)	41(19.2)	27(12.7)	8(3.8)	18(8.5)	4.4930	0.98393
4.	Our organization has tasked head of departments to draft reports periodically on how their departments operate	100(46.9)	78(36.6)	12(5.6)	5(2.3)	18(8.5)	4.1831	0.18134
5.	Our organization appreciates the need for meetings for all its employee at least once per year	155(58.7)	39(18.3)	19(8.9)	12(5.6)	18(8.5)	4.2019	0.18662
	Composite mean						4.2732	0.4879

The statement mean 4.3192 was above the composite mean 4.2732 implying organization appreciating open and interactive information identification before being send to intended group/department/ person between departments supports financial performance and therefore is encouraged.

Statement three; our organization has clear procedures on how to save vital information in soft copies. Out of 213 who responded, 119 (19.2%) strongly agreed, 41(19.2%) agreed, 27 (12.7%) were not sure 8(3.8%) disagreed and 18 (8.5) strongly disagreed respectively. The statement mean 4.4930 was above the composite mean 4.2732 which meant, organization having a clear procedure on how to save vital information in soft copies support financial performance and should be enhanced. Statement four; our organization has tasked head of departments to draft reports periodically on how their departments operate. Out of 213 who responded, 100 (46.9%) strongly agreed, 78(36.6%) agreed, 12(3.3%) were not sure, 5(2.3%) disagreed while 18(8.5%) strongly disagreed respectively. The statement mean 4.1831 was below the composite mean 4.2732 implying organization having tasked head of departments to draft reports periodically on how their departments operate does not support financial performance and therefore there is need to.

Statement five; our organization appreciates the need for meetings for all its employee at least once per year. Out of 213 who responded, 155 (58.7%) strongly agreed, 39(18.3%) agreed, 19(8.9%) were not sure, 12(5.6%) disagreed while 18(8.5%) strongly disagreed respectively. The statement mean 4.2019 was below the composite mean 4.2732 implying organization appreciating the need for meetings for all its employees at least once per year do not support financial performance and therefore there is need to.

The research findings are similar to the research by Hamza, Mutala and Antwi (2015) who assessed cash management practices and its effect on the financial performance of SMEs in the Northern Region of Ghana. Their study revealed that SME financial performance was positively related to efficiency of cash management (ECM) at 1 per cent significance level. The study concluded that cash management practices have influence on the financial performance of SMEs, hence there was need for SME managers to embrace efficient cash management practices as a strategy to improve their financial performance and survive in the uncertain business environment. There is no significant effect of information system practices on financial performance of Faith Based health facilities in Kakamega County."

4.6 Statistics of Financial Performance

The information on the number of customers revealed that majority of health based facilities 44.1% serve over 800 clients in a day. The number statistically increases with time. On Profitability of institutions in the last one year, the secondary data revealed 67% of the institution's records revealed the institutions earned over 1,500,000 over the last one year. The records showed improvement compared to previous years. On level of customer service in the organization the findings from the previous records showed most customer feedback is very good about the organization. Information on service delivery showed it is very good.

4.7 Hypotheses Testing

The study carried out a multiple regression on risk assessment control practices, audit control activities, monitoring control activities and information systems practices on financial performance. Summary of the results were as shown in Table 4.12.

4.7.1 Risk assessment control practices on financial performance of faith based facilities in Kakamega County

Table 4. 12 Analysis of variance the Risk assessment control practices

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	73267.36	4	18316.84	88.83046	1.93236E-12	2.866081
Within Groups	4124	20	206.2			
Total	77391.36	24				

a) Dependent variable: Financial Performance of the FB health facilities
b) Predictors :Risk assessment, Audit control, Monitoring l activities and Information systems

Analysis of variance was carried out to determine the degree of variation in the response on the Risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County. Basing on the ANOVA table 4.12 it shows that *P-value* is 1.9324E-12 which is less than α= 0.05 and F test > F crit then this shows that there is high degree of variation in the on the analysis of variance.

Table 4. 13 Model Summary on the Risk assessment control practices on financial performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.449[a]	0.202	0.190	1.11684

a. Predictors :Market share, Profitability, Operational Efficiency

From Table 4.13 the R(0.449) and R Square is 0.202 this shows that the model is not perfect related since R is less than 0.7 for it to be rated as perfectly related , however the model explained 19% of the variation in the Financial Performance of Faith Based health facilities(Adjusted R square =0.190).

Table 4. 14 Coefficient correlation for risk assessment control practices on financial performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.555	0.243		2.283	0.023
	Financial Performance	0.2453	0.0690	0.2193	3.4840	0.0090

a. Dependent Variable: Every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities

The results in Table 4.13 the t-test in the Coefficient of regression model show that t (statistic) > t (significant) ,(t=2.283) for all dependent variables this there is no enough evidence to accept the null hypothesis that "There is no significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County.” The risk assessment had a positive standardized beta coefficient =0.2193 in the coefficients result of Table 4.14 ;an indication that a one unit change in risk assessment is likely to result in rise in the Financial Performance of Faith Based health facilities in Kakamega County. Therefore it was concluded at 5%significance level of Risk assessment has significant positive influence on the Financial Performance of the Faith Based health facilities in Kakamega county Such that the more increase in the level of risk assessment as an internal control, the more likely the Faith Based facilities in Kakamega county are to experience increased Financial Performance.

Table 4. 15 Overall Multiple Regression Results of Internal Control Practices on Financial Performance

Model Statistics						
Model	Number of Predictors	Model Fit statistics	Ljung-Box Q(18)			Number of Outliers
		Stationary R-squared	Statistics	DF	Sig.	
Internal Control Practices	3	0.822	17.630	14	0.824	0

From the Table 4.14, R- squared was 0.822, this show that the model has a perfect relation between Internal Control Practices and the financial performance on audit activities .The model explains 82.2% of the variation in the Financial Performance of Faith Based health facilities in Kakamega County.(Adjusted R square=0.822).

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Table 4. 16 Coefficient Correlation for Overall Multiple Regression of Internal Control Practices on Financial Performance with audit activities

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	56240.8	4	14060.2	30.46235	2.98E-08	2.866081
Within Groups	9231.2	20	461.56			
Total	65472	24				

Analysis of variance was carried out to determine the degree of variation in the response on Internal Control Practices on Financial Performance with audit activities. Basing on the ANOVA table 4.16 it shows that *P-value* is 2.98E-08-12 which is less than α= 0.05 and F test > F crit then this shows that there is high degree of variation in the on the analysis of variance.

Table 4. 17 Coefficient Correlation of Internal Control Practices on Financial Performance

Coefficients a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	0.868	0.164		5.295	0
	Internal Control Practices	0.20467	0.06233	0.21067	3.05933	0.17167

a. Dependent Variable: Audit Control Activities ;Periodic Audits, Forecasts and Review of budgets

The results in Table 4.17 the t-test in the Coefficient of regression model show that t (statistic) > t (significant) (t=5.295) for all dependent variables this there is no enough evidence to accept the null hypothesis that "There is no significant effect of audit activities on financial performance. The internal control had a positive standardized beta coefficient =0.2106 in the coefficients result of Table 4.17 ;an indication that a one unit change in audit control is likely to result in rise in the Financial Performance of Faith Based health facilities in Kakamega County. Therefore it was concluded at 5%significance level of audit control has significant positive influence on the Financial Performance of the Faith Based health facilities in Kakamega county Such that the more increase in the level of risk audit control as an internal control, the more likely the Faith Based facilities in Kakamega county are to experience increased Financial Performance Faith Based health facilities in Kakamega County."

4.7.2 Effect of Monitoring Control Practices on Financial Performance

Table 4. 18 Results of Analysis of Variance of Monitoring Control Practices on Financial Performance

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	46678.4	4	11669.6	3.67716	8.75E-2	3.866081
Within Groups	5109.6	20	255.48			
Total	51788	24				

Analysis of Variance was carried out to determine the degree of variation in the response on monitoring control practices on financial performance of faith based health facilities in Kakamega County. Basing on the ANOVA table 4.18 it shows that *P-value* is 8.75E-2 which is greater than α= 0.05 and F test < F crit then this shows that there is no degree of variation in the on the analysis of Variance.

Table 4. 19 Results Coefficients of Internal Control Practices on Financial Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.311[a]	0.097	0.084	0.71512

From Table 4.16, the R Square is 0.097 this means that the model has no relation between the dependent variable and the independent variables hence the model cannot be used as a guide for the prediction. The results in Table 4.17 the t-test in the Coefficient of regression model show that t (statistic) < t (significant) (t=17.796) for all dependent variables this there is no enough evidence to reject the null hypothesis that “There is no significant effect of monitoring control practices on financial performance. The monitoring control had a negative standardized beta coefficient =-0.1273 in the coefficients result of Table 4.20 ;an indication that a one unit change in monitoring control is likely to have no effect in rise in the Financial Performance of Faith Based health facilities in Kakamega County. Therefore it was concluded at 5%significance level of monitoring control has no significant positive influence on the Financial Performance of the Faith Based health facilities in Kakamega county Such that the more increase in the level of monitoring as an internal control, the more likely the Faith Based facilities in Kakamega county are to not to experience increased Financial Performance of Faith Based health facilities in Kakamega County."

Table 4. 20 Results of Coefficients of Internal Control Practices on Financial Performance

coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.769	0.156		17.796	0
	Monitoring Control Practices	-0.0867	0.0440	-0.1273	-1.8973	0.3820

a. Dependent Variable: Monitoring ;Periodic audits, Asset security, Management approvals

4.7.3 Effect of Information System Control Practices on Financial Performance

Table 4. 21 Analysis of Variance of Information System Control Practices on Financial Performance

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	32268.8	4	8067.2	16.97072	3.25E-06	2.866081
Within Groups	9507.2	20	475.36			
Total	41776	24				

Analysis of variance was carried out to determine the degree of variation in the response on the information system control practices on financial performance of faith based health facilities in Kakamega County. Basing on the ANOVA table 4.21 it shows that *P-value* is 3.25E-06 which is less than α= 0.05 and F test > F critical then this shows that there is high degree of variation in the on the analysis of variance.

Table 4. 22 Model Summary on Information System Control Practices on Financial Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.565[a]	0.320	0.309	0.55593

From the Table 4.18, the R = 0.565 shows that the model has positive relation. However the model is not perfectly related.

Table 4. 23 Coefficient correlation on the Effect of information system control practices on financial performance

coefficients [a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.704	0.123		5.71	0
	Information System Control Practices	0.1453	0.0347	0.2620	4.4283	0.3087

From the Table 4.19 only market share was the only one that was not in line with the hypothesis since t (static) > t (sig.) (t=5.71) .However Profitability and Operational Efficiency is in line with the hypothesis that, “There is no significant effect of information system control practices on financial performance of Faith Based health facilities in Kakamega County. The information system had a positive standardized beta coefficient =0.2620 in the coefficients result of Table 4.14 ;an indication that a one unit change in information system is likely to result in rise in the Financial Performance of Faith Based health facilities in Kakamega County. Therefore it was concluded at 5%significance level of information system has significant positive influence on the Financial Performance of the Faith Based health facilities in Kakamega county Such that the more increase in the level of information system as an internal control, the more likely the Faith Based facilities in Kakamega county are to experience increased Financial Performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions, recommendations and areas for further research.

5.2 Summary of Findings

The following was the summary and key findings on effect of; risk assessment control practices on financial performance, audit activities on financial performance, monitoring control practices on financial performance and establish effect of information system control practices on financial performance.

5.2.1 Risk Assessment and Financial Performance

Majority of the respondents 192 (87.3%) agreed that the organization evaluates risks that occur before taking any action. Most respondents 203(95.3%) agreed employees are taken through risk analysis process. Most respondents 199(93.4%) agreed that there is a team that analyses risks and provide way forward in managing them though 4 (1.9%) disagreed. Widely held respondents 211 (97.7%) agreed every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities. Most of the respondents 174 (81.7%) agreed the institution understands the risks involved while at work place.

The test statistics for significant effect of risk assessment control practices on financial performance of faith based facilities in Kakamega County was based on the regression analysis of student t test. The results reviled that t stat > t sig. for all the dependent variables. Thus we fail to accept the null hypothesis that, "There is no significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County"

5.2.2 Audit Control Activities and Financial Performance

Majority of the respondents 195(91.5%) agreed their organization has a clear audit procedure. Most of the respondents 187(87.8%) agreed their organization does forecasting to evaluate the risks involved in each activity undertaken. Majority of the respondents 209 (98.2%) agreed roles of auditors are never interfered with management. Majority of the respondents 164(77%) agreed audit reports are available for scrutiny by heads of departments. The statement mean 4.2066 was below composite mean 4.41126 which meant audit reports are available for scrutiny by all heads of departments does not support financial performance and it should be enhanced. Majority of the respondents 184 (86.6%) agreed organization does periodic audit.

The test statistics for significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County was based on the regression analysis of student t test. The results reviled that t stat > t sig. for all the dependent variables. Thus we fail to accept the null hypothesis that, "There is no significant effect of audit activities on financial performance of Faith Based health facilities in Kakamega County".

5.2.3 Monitoring Control Activities and Financial Performance

On the statement our organization does periodic audits. Out of 213 who responded, 88 (41.3%) strongly agreed, 96(45.1%) agreed, 16 (7.5%) were not sure 3(1.4) disagreed and10 (4.7) strongly disagreed respectively. The statement; in our institution, employees are responsible for security of all assets assigned to them. Out of 213 who responded, 136 (63.8%) strongly agreed, 40(18.8%) agreed, 16(7.5%) were not sure, 11(5.2%) disagreed while 10(4.7%) strongly disagreed respectively. Our organization has ensured all computers have pass words for log in by respective assigned officers. Out of 213 respondents, 148 (69.5%) strongly agreed, 45 (21.1%) agreed while 3(1.4%) disagreed and 10(4.7%) strongly disagreed respectively. Our institution carries out periodic counting of assets. Out of 213 who responded, 122 (57.3%) strongly agreed, 43(20.2%) agreed, 27 (12.7%) were not sure 7(3.3) disagreed and14 (6.6) strongly disagreed respectively. In our organization, communication between departments is documented for follow up. Out of 213 who responded, 105 (49.3%) strongly agreed, 78(36.6%) agreed, 12(5.6%) were not sure, 4(1.9%) disagreed while 14(6.6%) strongly disagreed respectively.

The test statistics for significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County was based on the regression analysis of student t test. The results reviled that t stat < t sig. for all the dependent variables. Thus there was enough evidence to accept the null hypothesis that, "There is no significant effect of monitoring control practices on financial performance of Faith Based health facilities in Kakamega County".

5.2.4 Information System Control Activities and Financial Performance

The management in our organization appreciates the need for individual departments to work together to achieve overall organization objectives. Out of 213 who responded, 88 (41.3%) strongly agreed, 96(45.1%) agreed, 16 (7.5%) were not sure 3(1.4) disagreed and 10 (4.7) strongly disagreed respectively. Our organization appreciates an open and interactive information identification before being send to intended group/department/ person. Out of 213 who responded, 146 (68.5%) strongly agreed, 42(19.7%) agreed, 7(3.3%) were not sure, 4(1.9%) disagreed while 14(6.6%) strongly disagreed respectively. Our organization has clear procedures on how to save vital information in soft copies. Out of 213 who responded, 119 (19.2%) strongly agreed, 41(19.2%) agreed, 27 (12.7%) were not sure 8(3.8%) disagreed and 18 (8.5) strongly disagreed respectively. Our organization has tasked head of departments to draft reports periodically on how their departments operate. Out of 213 who responded, 100 (46.9%) strongly agreed, 78(36.6%) agreed, 12(3.3%) were not sure, 5(2.3%) disagreed while 18(8.5%) strongly disagreed respectively. Our organization appreciates the need for meetings for all its employee at least once per year. Out of 213 who responded, 155 (58.7%) strongly agreed, 39(18.3%) agreed, 19(8.9%) were not sure, 12(5.6%) disagreed while 18(8.5%) strongly disagreed respectively.

The test statistics for significant effect of risk assessment control practices on financial performance of Faith Based health facilities in Kakamega County was based on the regression analysis of student t test. The results reviled that t stat > t sig. for Profitability and Operational Efficiency as the dependent variables. While market share results reviled that t stat < t sig hence the hypothesis is rejected on its consideration. Otherwise the null hypothesis is accepted.

5.3 Conclusions

Based on the findings, the study concludes as follows:

5.3.1 Risk Assessment and Financial Performance

The study established statistically significant positive relationship between risk assessment control practices on financial performance. There is need for the management in Faith Based health facilities to carry out evaluation of risks that occur before taking any action since it influences financial performance. There is need for employees to be taken through risk analysis process. The management should also put in place a team to carry out risk analysis and manage them. Every head of section should continuously be keen to ensure that individuals realize the risks associated with their daily activities to enhance financial performance in Faith based health facilities. The institution should ensure it understands the risks involved while at work place.

5.3.2 Audit Control Activities and Financial Performance

There exists statistically significant positive correlation between audit control activities on financial performance. There is need for the health based facilities to continuously carry out forecasts to evaluate the risks involved in day to day business operations. Organizations need to have a clear audit procedure as a control activity. The roles of auditors should never interfere with by management to enhance organization performance. There is need to enhance audit reports availability for scrutiny by all heads of departments.

5.3.3 Monitoring Control Activities and Financial Performance

There exists a statistically significant positive correlation between monitoring control practices and financial performance. There is need to carry out periodic audits by health based facilities to enhance performance. Employees in the institutions should continue being responsible for security of all assets assigned to them since it enhances financial performance. There is need to ensure all computers are secured with passwords as a monitoring and control activity. There is need to document communication between departments since it enhances financial performance.

5.3.4 Information System Control Activities and Financial Performance

There exists a statistically significant positive correlation between information systems control practices and financial performance. There is need for the management in faith based health facilities to encourage individual departments to work together to achieve overall organization objectives. Faith based health facilities should continue appreciating open and interactive information identification before being send to intended group/department/ person between departments since it supports financial performance and therefore is encouraged. Faith based health facilities having tasked head of departments to draft reports periodically on how their departments operate should be enhanced to support financial performance. There is need for organization to appreciate the need for meetings for all its employees at least once per year to improve financial performance.

5.4 Recommendations

The following were recommendations made from the study. The study recommends for evaluation of risks should occur in the organization before taking any action influences. The Organization should ensure that once the level of risk is identified the management and the auditors should ensure it is managed. There is a need to take the employees through the audit process to enhance financial performance of an organization audit reports should be available for scrutiny by all heads of departments needs to be enhanced to support financial performance of the organization. There is need to carry out organization periodic audits to ensure activities in the organization are carried out effectively and efficiently. The organizations should ensure monitoring through budget review and approvals are periodically carried out in the organization to increase the surplus in the organization.

5.5 Suggestions for Further Research

The following were suggestions for further research;

i. The study was carried out in faith based facilities in Kakamega County. Future studies are encouraged to cover other counties to confirm whether the findings are consistent.

ii. Future studies are encouraged to cover public health facilities and compare the findings with the current research.

iii. The research was restricted to health sector. Future studies are encouraged to have other sectors and compare the findings.

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APPENDICES

APPENDIX 1:

LETTER TO RESPONDENTS

Dear Sir/Madam,

RE: DATA COLLECTION

I am a master's candidate in the School of Business and Economics, Kibabii University. I am in my research year focusing on *"internal control practices and financial performance of faith based facilities in Kakamega County, Kenya.*

The attached questionnaire will be used to gather relevant information to address the research objectives. Kindly respond or grant me permission to collect information in your institution. Please note this is academic research and the information provided will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality and the study outcomes and reports will not include reference to any individuals.

Your assistance and experience shall be highly appreciated.

Sincerely,

MARYLYNN KHAVESTA ANDOVE

Email: *ma_lyn85@yahoo.com*

APPENDIX 2

RESEARCH QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION

Put a tick **(√)** in the appropriate box.

1. Please indicate your gender

☐ Female

☐ Male

2. Indicate your age bracket

☐ 20-30yrs.

☐ 31-40yrs.

☐ 41-50yrs.

☐ 51 and above

3. State your highest level of education

☐ Primary level

☐ Secondary level

☐ College

☐ University

Postgradu
ate

Professional Qualification…….

4. Please indicate the number of years you have worked in your current institution

Less than 5 5-10 Over10

SECTION B: INTERNAL CONTROL PRACTICES

Please indicate your level of agreement in respect to the following statement as they relate to internal control practices in your institution. Please tick (√) strongly agree (SA) = 5, Agree (A) = 4, undecided (NS) = 3, Disagree (D) =2 and strongly disagree (SD) = 1

No.	**Statements**	**SA**	**A**	**NS**	**D**	**SD**
	Risk Assessment					
6	Our organization evaluates risks that occur before taking any action					
7	Employees in our organization are taken through risk analysis process					
8	We have a team that analyses risks and provide way forward in managing them					
9	Every head of section in our institution is keen to ensure that individuals realize the risks associated with their daily activities					
10	The institution understands the risks involved while involved at work place					
	Audit Control					
11	Our organization has a clear audit procedure					
12	Our organization does forecasts to evaluate the risks involved in each activity undertaken					

13	In our organization, roles of auditors are never interfered with by management					
14	The audit reports are available for scrutiny by all heads of departments					
15	Our organization does periodic audits					
	Monitoring Control Activities					
16	In our institution, employees are responsible for security of all assets assigned to them					
17	Our organization has ensured all computers have pass words for log in by respective assigned officers					
18	Our institution carries out periodic counting of assets					
19	In our organization, communication between departments is documented for follow up					
20	The management in our organization appreciates the need for individual departments to work together to achieve overall organization objectives					
	Information System					
21	Our organization appreciates an open and interactive information identification before being send to intended group/department/ person					
22	Our organization has clear procedures on how to save vital information in soft copies					
23	Our organization has tasked head of departments to draft reports periodically on how their departments operate					
24	Our organization appreciates the need for meetings for all its employee at least once per year					

25	Our organization has well defined procedures on how information is conveyed between departments					

APPENDIX 3

FINANCIAL PERFORMANCE INFORMATION OF FAITH BASED HEALTH FACILITIES

1. Review information on no of customers served in a day. Please indicate the range as they relate to profitability of your institution. Please tick (√) after examining records and or officers concerned.

No of customers per day	**Please tick (√)**
Below 200	
Between 201-400	
Between 401- 600	
Between 601to 800	
Over 800	

2. Review of profitability of institutions in the last one year

Profitability of the institution	**Please tick (√)**
Below 500,000	
Between 500,001 to 1,000,000	
Between 1,000,001 to 1,500,000	
Between 1,500,001 to 2,000,000	
Over 2,000,000	

3. Evaluate the level customer service in the organization.

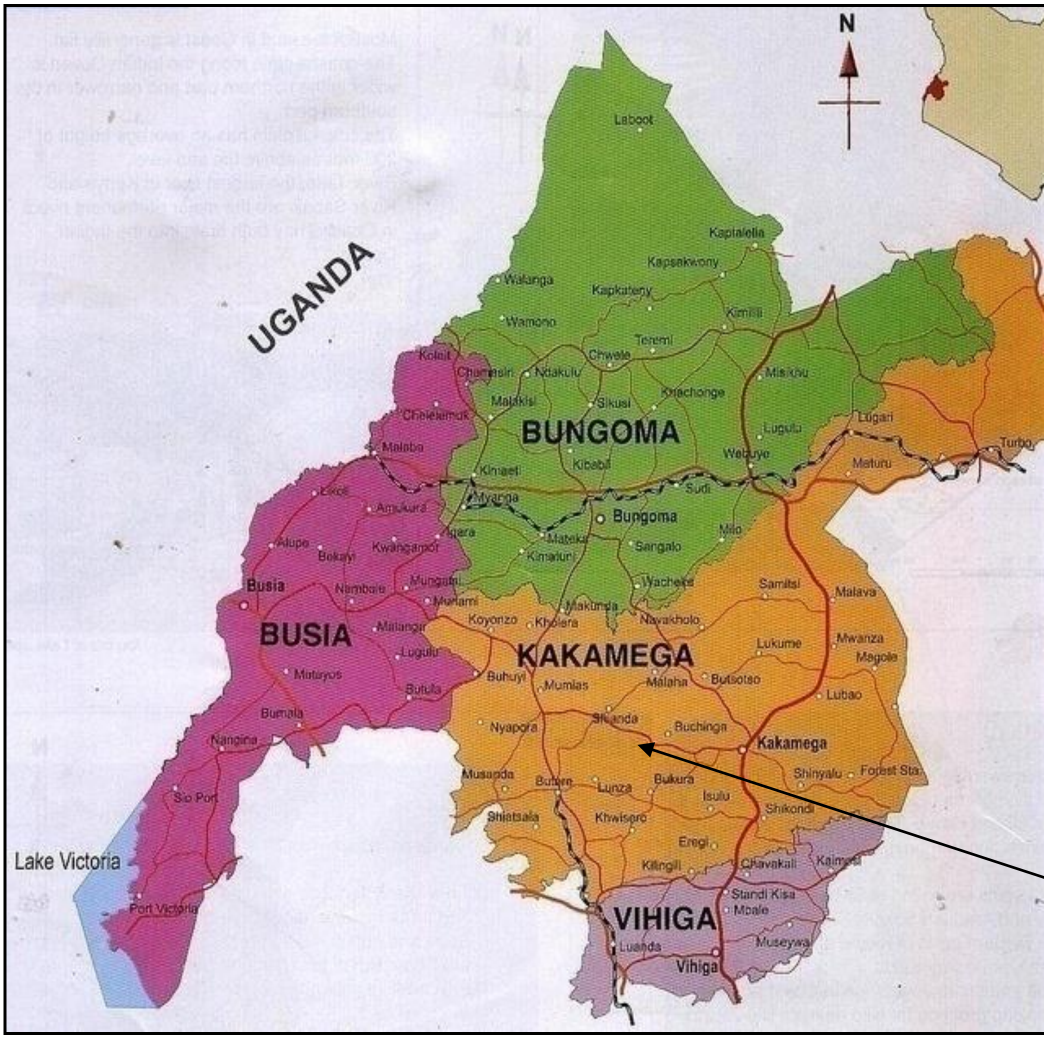
Level of satisfaction	**Please tick (√)**
Excellent	
Very Good	
Good	
Fair	
Bad	

4. Evaluate the level of service delivery in your organization.

Level of service delivery	**Please tick (√)**
Excellent	
Very Good	
Good	
Fair	
Bad	

APPENDIX 4:

LOCATION OF STUDY AREA IN KENYA



Longitudes $34^{0}32"$ and $35^{0}57'30"$east of the prime meridian and latitudes 0^{0} $07'30"$ North and North 0^{0} 15" of the equator

Source: Soft Kenya (2018)

APPENDIX 5: APPROVAL OF RESEARCH PROPASAL

KIBABII UNIVERSITY
(Knowledge for Development)

Tel: 020 – 2028660 / 0708 – 085934 / 0734 - 831729
P.O. Box 1699 – 50200
Bungoma
Kenya

E-mail: enquiries@kibabiiuniversity.ac.ke / registrar.adm58@yahoo.com
Website: http://www.kibabiiuniversity.ac.ke

OFFICE OF THE DEAN
SCHOOL OF GRADUATE STUDIES

Ref: KIBU/SGS/CORR.033/VOL.1-2015/131

Date: 4th February 2019

Dear Marylynn Khavesta Andove
Reg. No: MBA/010/15

RE: APPROVAL OF RESEARCH PROPOSAL
I am pleased to inform you that the Senate of Kibabii University acting on the advice of the Board of the School of Graduate Studies approved your proposal Entitled: **"Internal Control practices and Financial Performance of Faith Based Facilities in Kenya"** and appointed the following as supervisors:

1. Dr. Rashid Fwamba
2. Dr. Brian Singoro

You will be required to submit through your supervisor(s) progress reports every three months to the Dean SGS. Reports should be copied to the following: Chairman, SGSC-SOBE and Chairman, DGSC-BAM

It is the policy of the University that you observe a deadline of two years from the date of registration for a Masters thesis. Do not hesitate to consult this office incase of any problem encountered in the course of your work.
Yours Sincerely,

Prof. S. N. Mutsotso
Dean, SGS
Copy to: Vice Chancellor
Deputy Vice Chancellor (ASA)
Deputy Vice Chancellor (AFD)
Deputy Vice Chancellor (PPRI)
Director PC&QA

Kibabii University ISO 9001:2015 Certified
Knowledge for Development

APPENDIX 6: NACOSTI RESEARCH AUTHORISATION

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/26678/30712**

Date: **4th July 2019**

Marylynn Khavesta Andove
Kibabii University
P.O Box 1699 50200
BUNGOMA.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Internal Control practices and financial performance of faith-based facilities in Kenya."*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **3rd July, 2020.**

You are advised to report to **the County Commissioners, and the County Directors of Education, all Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

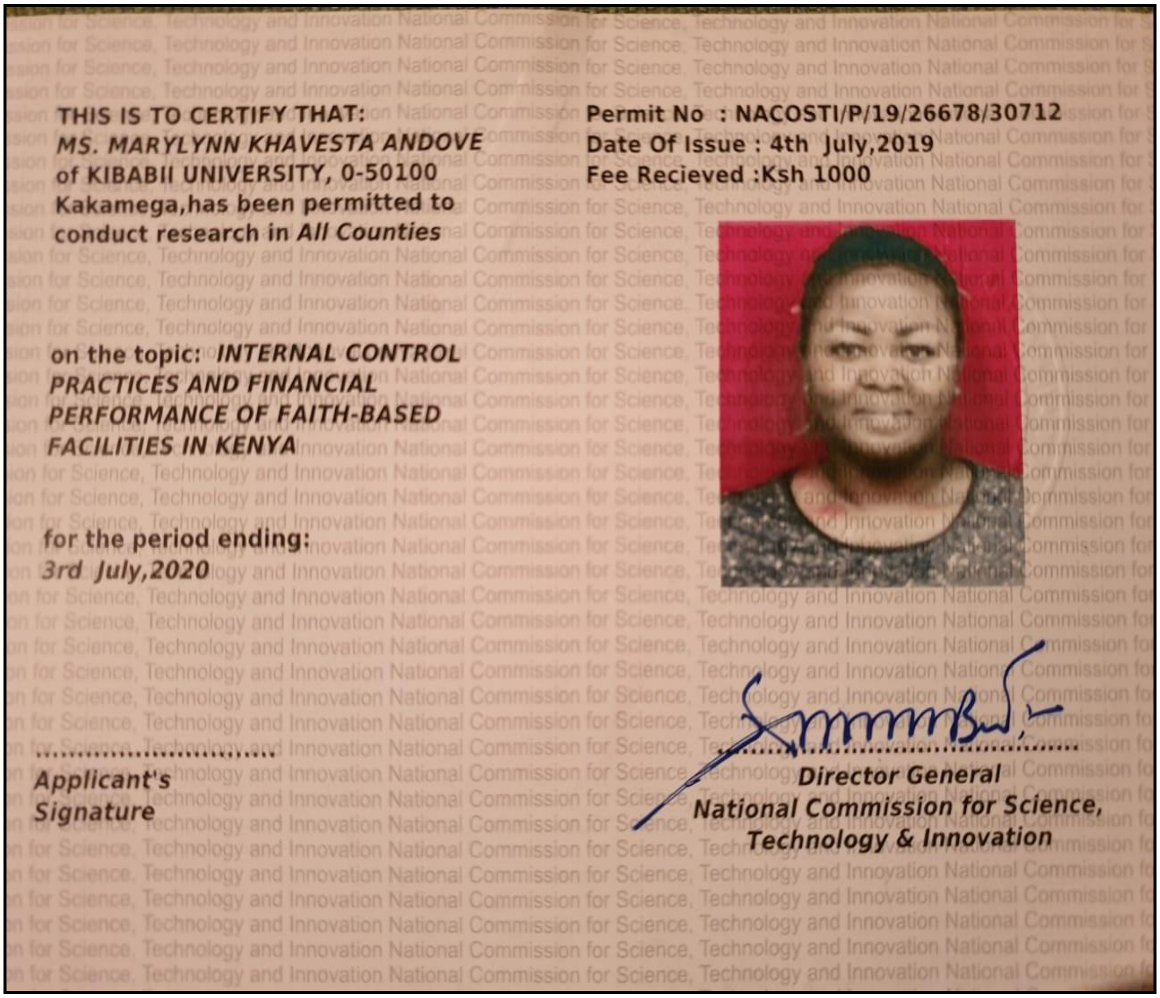
BONFACE WANYAMA.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
All Counties.

The County Director of Education
All Counties.

APPENDIX 7: NACOSTI RESEARCH LICENSE



THIS IS TO CERTIFY THAT:
MS. MARYLYNN KHAVESTA ANDOVE
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For Isaac Manje

APPENDIX 9: CERTIFICATE OF PUBLICATION

The Strategic JOURNAL Of Business & Change MANAGEMENT

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Certificate of Publication

This is to certify that **MARYLYNN KHAVESTA ANDOVE**, **DR. RASHIDE SIMIYU FWAMBA (Ph.D)** and **DR. BRIAN SINGORO (Ph.D)** have published a research paper in this journal, *Volume 6, Issue 4, 2019, pp 131 - 141.*

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