INVENTORY CONTROLS AND FINANCIAL PERFORMANCE OF GARISSA COUNTY GOVERNMENT, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTERS OF BUSINESS ADMINISTRATION (FINANCE) OF KENYATTA UNIVERSITY

NOVEMBER, 2017
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted for any academic award in any institution.

Signature........................................ Date........................................

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Supervisor

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

Signature........................................ Date........................................

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DEDICATION

This work is dedicated to my entire family who gave me invaluable moral support throughout the period.
ACKNOWLEDGEMENT

I greatly appreciate the advice and guidance from my supervisor, Dr Jeremiah Koori for his rich quality time and guidance on how to conduct the research proposal.

I also greatly appreciate my family for the support and sacrifice throughout the duration of the course.
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OPERATIONAL DEFINITION OF TERMS

Audit Planning : Is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated.

Cash reconciliations : The process of verifying the amount of cash in cash Register as at the close of business. The verification can also take place whenever a different clerk takes over a cash register.

Computerization : Involves the process of taking activities or tasks not previously done on the computer and shifting them to being done on the computer.

County Government: Geographical unit envisioned by the 2010 Constitution of Kenya as the unit of devolved government.

Financial Performance : the process of quantifying the efficiency of the county government in terms of deficit and surplus of the revenue collected.

Internal Control : These are methods designed for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Inventory audits : An accounting procedure designed to keep track of a company's products and merchandise.

Inventory training : Is a learning activity directed towards the acquisition Of inventory knowledge and skills for the purpose of the county job.
**Inventory Recording** : Manual or computer-based record of the quantity and kind of inventory.

**Inventory Control** : It is operations management, logistics and supply chain management, the technological system and the programmed software necessary for managing inventory.
**LIST OF ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CAATs</td>
<td>Computer–Assisted Audit Techniques</td>
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<tr>
<td>FD</td>
<td>Fiscal Decentralization</td>
</tr>
<tr>
<td>HHES</td>
<td>Home health education service</td>
</tr>
<tr>
<td>ICPA (K)</td>
<td>Institute of Certified Public Accountants of Kenya</td>
</tr>
<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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<tr>
<td>WRMA</td>
<td>Water Resource Management Authority</td>
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ABSTRACT

Good performance of Kenya’s county government is critical due to the important role that these governments play in the country. In Garissa County, the revenue collected in the year 2014/2015 was Ksh 96 million while the targeted revenue was Ksh 500 million per year and therefore the county fell short of its revenue collection target. In the year 2013/2014 the revenue collected was Ksh 39.5 million while the targeted revenue was Ksh 500 million per year. This therefore has led to the deficit in the county government budget. Inventory department that accounts for the largest portion of its assets has been given the highest priority in this case. However, in spite of these heavy allocations, the revenue collection has never surpassed the target. It is in this spirit of improving and enhancing the performance of the county government that this study was carried out to examine the effect of inventory control and financial performance of Garissa county government, Kenya. The general objective of the study examined inventory controls and financial performance of Garissa county government, Kenya. The specific objectives were to establish the effect of inventory recording on financial performance of Garissa county government, Kenya, to determine the effect of stock audit on financial performance of Garissa county government, Kenya, to evaluate the effect of e - procurement on financial performance of Garissa county government, Kenya and to examine the effect of inventory management training on financial performance of Garissa county government, Kenya. The study adopted a descriptive research design. The target population of the study was all the 250 employees in the Garissa county treasury department. The sample size was 70 employees in the Garissa county treasury department who was selected using stratified random sampling. Primary data was collected through the administration of the questionnaires. After quantitative data is obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) computer software for analysis. The statistics generated included descriptive and inferential statistics. The study found that inventory recording have a positive and a significant effect on financial sustainability. The study found that stock taking have a positive and a significant effect on financial sustainability. The study found that E-procurement have a positive and a significant effect on financial sustainability. The study found that inventory management training have a positive and a significant effect on financial sustainability. The study concluded that highly automated counties perform better than a county that still uses manual systems. The study also concluded that highly automated counties perform better than a county that still uses manual systems. The study recommends that there should be transparency in stock audit in the county governments. In addition, all the county government should be automated so as to improve their performance.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The creation of county government in countries of the world is borne out of decentralization in order to ensure development at the grass root levels. County governments are better positioned to identify pressing needs of communities and ways of meeting such needs. Also, mobilization and participation of citizens in government is enhanced by the county government (Usang & Salim, 2016). In essence, local governments are positioned to bring the government closer to the grass roots for the overall development of the country. This way, citizens are mobilized for participation in leadership and this creates a platform for mentoring potential political administrators. However, county governments across the globe are faced with issues that limit their capability to meaningfully improve the wellbeing of communities. According to Caruson, MacManus and McPhee (2012) county government experience financial pressures, increasing services challenges due to rising demand and insider threats.

Performance management in the public sector is the managerial activity necessary to promote well-performing policy management and service delivery (Dwivedi & Jain, 2005). Organizational performance management in a government context concerns monitoring the success of public policy, programmes or projects in achieving their objectives and in securing the expected benefits. According to Prowle (2010) public sector organizations deal with large amounts of public funds and operation a largely political environment, thereby necessitating a need for a high degree of confidence in the way in which their financial affairs are being conducted. In view of improving the performance most public sectors globally have established inventory control strategies in order to enhance their financial reporting systems, check on their efficiency and effectiveness of operations as well as enhance adherence to the prescribed rules and regulations (Mary et al., 2015).

Regarding the Agency Theory, Financial control is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees and external audits. Studies have shown that internal control reduces agency costs with some even arguing that firms have an economic incentive to report on internal control. It is also argued that providing this additional information to the principal
(shareholder) about the behavior of the agent (management) may reduce the information asymmetry and lower investor risk and therefore, the cost of equity capital.

In creating local authorities, the vision of the ministry of local government is to have viable, autonomous, accountable and responsive local authorities. Finance is critical to the achievement of this vision since it directly affects the operation of local authorities and the wide range of services that they are responsible for delivering. County government authority derives its revenue from both internal and external sources, the internal source include fines, rates, taxes, fees and so on, while the external source of revenue include majorly the monthly allocation from national government treasury account. Therefore, it is the responsibility of local government governing bodies to ensure accountability in the disbursement of this revenue in providing infrastructure service to the community to foster economic development at the grass root level. There is need for public officials to respond periodically to questions concerning their activities and to be held responsible for exercising the authority given to them. This process can only be effective through proper inventory control systems (Aramide & Bashir, 2015).

1.1.1 Inventory Control of County Governments in Kenya

Inventories are the current assets which are expected to be converted within a year in the form of cash or accounts receivables. Thus, it is a significant part of the assets for the business firms. According to Hossain (2015) better management of the inventories would release capital productively. Inventory Control is the operations management, logistics and supply chain management, the technological system and the programmed software necessary for managing inventory. Inventory control implies the coordination of materials controlling, utilization and purchasing. It has also the purpose of getting the right inventory at the right place in the right time with right quantity because it is directly connected with the production. This implies that the profitability of the firm is directly or indirectly affected by the inventory management.

In addition, inventory control is important because firms will ensure assets and stock are well managed and accurate demand forecasting is maintained to avoid unplanned procurement processes. This will assist the firm in executing successful procurement processes that match demand and supply forces (Brigham & Gapenski, 2013). Agus and Noor (2010) points out that demand forecasting helps the organization to minimize operational costs, increased efficiency and on time delivery of goods and services. This enables the organization to plan
for the future demand by meeting the growing needs of customers. This highly contributes to improved customer satisfaction due to quality of goods and services offered.

In inventory control, audit of inventory is required. Audit of inventory is important in many organizations as misstatement affect reported profit; misstatement of inventory balances has a direct effect on reported profit as inadequate or inappropriate inventory held can fail to meet the demands of sales and production requirements; high inventory levels resulting in poor cash flow and financial loss; inaccurate or incomplete record of inventory movements resulting in lack of awareness of the actual inventory position and difficulties in meeting customer needs; lack of security over inventory resulting in loss, theft or misappropriation and obsolete inventory held or incorrectly supplied to customers, results in financial loss and damage to reputation (Bedard & Wright, 2000).

In addition E procurement is also very important in inventory control. This is because it reduces inventory levels, improves auditing and financial control, eliminates paperwork, enhance staff efficiency and shorten delivery time. An automated inventory and procurement solution also saves time by streamlining purchasing and inventory control. Tasks that once took hours or even days can be performed with a few clicks of a mouse. Staff no longer wastes time matching receipts with deliveries, figuring out overly complex invoices and keying in redundant information. An automated inventory and procurement solution increases accuracy. Because staff is no longer required to re-enter data from paper documents, clerical errors are dramatically reduced. Mistakes in ordering are also minimized (Presutti, 2003).

The forty-seven counties in Kenya have the opportunity of managing inventory in transparent and efficient way. However, lack of inventory control systems in these county governments creates an avenue for corruption (Mugambi & Theuri, 2014). The study therefore sought to examine inventory control and financial performance of Garissa county government, Kenya.

1.1.2 Financial Performance

Financial performance is a broad concept describing a local government’s financial health (Groves, Godsey & Shulman, 2003). The term financial performance has been used in discussions of US state and local government’s financial health for many years (Kamnikar, Kamnikar & Deal, 2006). More specifically financial performance can be broadly defined as a county government’s ability to finance its services on a continuing basis; ability to meet its obligations as they fall due; and ability to finance the services its constituents require.
One of the most commonly used ways of obtaining a measurement of performance in county government is through the use of budgetary, economic and financial information that is the financial performance. Carmeli and Tishler (2004) derived indicators in financial terms in order to determine the financial health of local government bodies. These authors opted for a traditional approach, based on indicators of the budgetary process and their use in decision-making, being of the opinion that this provides a global viewpoint as to whether an organization is managing its resources well or not.

For Groves et al. (2003) the financial condition of a local authority can be assessed by measures of cash solvency, budgetary solvency, long-run solvency and service-level solvency. Cash solvency is understood to be the entity’s ability to generate sufficient liquidity to meet its short-term obligations. Budget solvency is its ability to mobilize sufficient budgetary income without entering into deficit. Long-run solvency concerns a government’s ability to respond adequately to all its long-term obligations, while service-level solvency is defined as expressing the entity’s capacity to provide the level and quality of services necessary for the well-being of the community in question. These four concepts of solvency embrace what the above authors have termed the financial factor. However, for these to be correctly evaluated, Groves et al. (2003) have observed that the environmental factor must be taken into account. The environmental factor is considered to be the principal external constraint affecting financial performance. According to Greenberg and Hillier (2005), the financial condition of an organization can be measured by means of a series of indicators related to its sustainability, flexibility and vulnerability.

1.1.3 County Government Performance in Kenya

In Kenya financial performance in counties is characterized by poor system design and lacks critical functionality, controls, automated bank reconciliation, audit trails and systems documentation. There is also lack of system data checks and controls, poor response time, limited ability to generate reports, weak access security and lack of remote access. This has led to wastage and extravagant spending, and especially, the loss of resources through possible fraud, irregularity or improper spending (Wanjau, Muiruri&Ayodo, 2012; Mugambi&Theuri, 2014; Wakiriba, Ngahu&Wagoki, 2014). Recent survey by the auditor general in Kenya showed that there was a wide gap between the finances received by state corporations and the results provided as to how this finance had been used (McWilliams & Siegel, 2014). Public entities are established and run using the tax-payers’ money (Wakiriba,
Ngahu&Wagoki, 2014). As such, therefore, taxpayers have a right to demand efficient management of finances in the public sector (Macharia, 2012). Against this backdrop, the management of finances in the public sector is more often than not questionable. In addition, according to Transparency International Survey conducted in 2014 on County Governments Performance in Kenya clearly indicated that 41% of the Kenya populations from the 47 were unsatisfied with the performance of their Counties.

Garissa County is an administrative County in the former North Eastern Province of Kenya. Its capital and largest town is Garissa. The county has a population of 623,060, and an area of about 45,720.2 km². The county borders the Republic of Somalia to the East, Lamu County to the south, Tana River County to the west, Isiolo County to the North West and Wajir County to the north Garissa County has six sub-counties which include: Fafi, Garissa, Ijara, Lagdera Balambala and Dadaab (Haji, 2014). The county has been leading in terms of corruption amongst the other counties in Kenya (GoK, 2015). Table 1.1 shows the amount of revenue collected in the past two years. In the year 2014/2015 the revenue collected was 96 million while the expected revenue was 500 million. In the year 2013/2014 the revenue collected was 39.5 while the revenue expected was Ksh 500 million. This implies that there is a huge margin between the revenue collected and the revenue expected while the current study sought to address the effect of inventory control on financial performance of Garissa county government, Kenya.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Collected</th>
<th>Expected Revenue</th>
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<tbody>
<tr>
<td>2014/2015</td>
<td>Ksh 96 million</td>
<td>Ksh 500 million</td>
</tr>
<tr>
<td>2013/2014</td>
<td>Ksh 39.5 Million</td>
<td>Ksh 500 million</td>
</tr>
</tbody>
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Garissa County Treasury (2016)

1.2 Statement of the Problem

Good performance of Kenya’s county government is critical due to the important role that these governments play in the country (Ochara, 2010). In Garissa County, the revenue collected in the year 2014/2015 was Ksh 96 million while the targeted revenue was Ksh 500 million per year and therefore the county fell short of its revenue collection target. In the year 2013/2014 the revenue collected was Ksh 39.5 million while the targeted revenue was Ksh 500 million per year. This therefore has led to the deficit in the county government budget.
In addition the Garissa county government in its 2013-2014 financial budget, allocated substantial amounts of resources for the implementation of ICT-based systems in operations of all the crucial departments among them procurement department. Inventory department that accounts for the largest portion of its assets has been given the highest priority in this case (Christopher, & Kwasira (2012). However, in spite of these heavy allocations, the revenue collection has never surpassed the target. It is in this spirit of improving and enhancing the performance of the county government that this study was carried out to examine the effect of inventory control and financial performance of Garissa county government, Kenya.

1.3 Objectives of the Study

The general objective of the study was to examine inventory controls and financial performance of Garissa county government, Kenya.

1.3.1 Specific Objectives

The specific Objectives of the study were;

i. To establish the effect of inventory recording on financial performance of Garissa county government, Kenya

ii. To determine the effect of stock auditing on financial performance of Garissa county government, Kenya

iii. To evaluate the effect of E - procurement on financial performance of Garissa county government, Kenya

iv. To examine the effect of inventory management training on financial performance of Garissa county government, Kenya.

1.4 Research Questions

i. What is the effect of inventory recording on financial performance of Garissa county government, Kenya?

ii. What is the effect of stock auditing on financial performance of Garissa county government, Kenya?

iii. What is the effect of E - procurement on financial performance of Garissa county government, Kenya?
iv. What is the effect of inventory management training on financial performance of Garissa county government, Kenya?

1.5 Research Hypothesis

H01: Inventory recording does not have significant relationship with the financial performance of Garissa county government, Kenya

H02: Stock Audit does not have significant relationship with the financial performance of Garissa county government, Kenya

H03: E-procurement does not have significant relationship with the financial performance of Garissa county government, Kenya

H04: Inventory management training does not have significant relationship with the financial performance of Garissa county government, Kenya

1.6 Significance of the Study

The study is important to Garissa County government, other county governments and the Kenyan Government in formulating sound inventory audit control policies in financial performance. It may also be important to the government in order to adopt policies to enforce financial discipline among county governments. This study will also guide the county government officials in ensuring excellence in stock management.

The study will also benefit researchers who may wish to develop the study further through subsequent researches and also the academicians wishing to enrich their knowledge in the concept of inventory audit and the financial performance of Garissa county government. The study will also benefit researchers and other scholars as a background for reference in future studies and contribute to the existing knowledge of literature.

1.7 Scope of the Study

The study sought to examine inventory controls and the financial performance of Garissa county government. This study was carried out in Garissa County. Garissa County was selected since it was reported to be one of the poor performing counties in terms of revenue collection in Kenya. Garissa County is one of the three counties in the North Eastern region of Kenya. It has six sub-counties which include: Fafi, Garissa, Ijara, Lagdera, Balambala and Dadaab (Haji, 2014). The study was carried out in the year 2017.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of related literature on the subject under study present by various researchers, scholars, analyst and authors. The research drew materials from several sources which were closely related to the theme and the objectives of the study. Empirical literatures by the writers were used to illustrate the various sub topics mentioned in the objectives of the study. Generally, this section covered the theoretical, empirical review and conceptual framework.

2.2 Theoretical Literature

A theoretical framework is a collection of interrelated concepts. It guides research to determine what things to measure, and what statistical relationships to look for (Defee, Randal, Thomas & Williams, 2010). This study was built on the underpinning theories, including the agency theory, contingency theory and competency theory.

2.2.1 Agency Theory

Agency theory was initiated by Jensen and Meckling (1976). It describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. In order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. The relationship is further strengthened by the principal employing an expert to monitor the agent (Barlie & Means, 1932). This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work.

The theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This affects the overall performance of the relationship as well as the benefits of the principal in the form of cash residual.

Financial control is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees and external audits. Studies
have shown that internal control reduces agency costs with some even arguing that firms have an economic incentive to report on internal control. It is also argued that providing this additional information to the principal (shareholder) about the behavior of the agent (management) may reduce the information asymmetry and lower investor risk and therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management (Chan et al., 2008; Ashbaugh et al., 2008). This theory was applicable to our study because when the problem of agency is minimized, internal control is fostered; accountability is improved that improves the financial performance of Garissa county government, Kenya.

2.2.2 Contingency Theory

Contingency theory posits the view that there is no universal control system that is best but that the circumstances or context faced by the organization determine which control systems is appropriate (Waterhouse & Tiessen, 1978; Gordon & Miller, 1976; Watson, 1975). Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes and outcomes of audits are dependent on variable and contingent factors (Watson, 1975).

The goal of an audit is to test the reliability of a company’s information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process (Davoren, 2014).

Auditors require access to documents, systems, policies and procedures to manage an audit. They must remain compliant with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins (Waterhouse & Tiessen, 1978; Gordon & Miller, 1976; Watson, 1975). During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available
audit workforce, available technology and systems, and deadline. Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards (Daft, 2012).

2.2.3 Competency Theory

Initially described as “Four Stages for Learning Any New Skill”, the theory was developed at the Gordon Training International by its employee Noel Burch in the 1970s. It has since been frequently attributed to Abraham Maslow, although the model does not appear in his major works. The Four Stages of Learning provides a model for learning. It suggests that individuals are initially unaware of how little they know, or unconscious of their incompetence. As they recognize their incompetence, they consciously acquire a skill, then consciously use it. Eventually, the skill can be utilized without it being consciously thought through: the individual is said to have then acquired unconscious competence. Several elements, including helping someone 'know what they don't know' or recognize a blind spot, can be compared to some elements of a Johari window, although Johari deals with self-awareness, while the four stages of competence deals with learning stages (Flower, 1999).

The four stages include; unconscious incompetence where the individual does not understand or know how to do something and does not necessarily recognizes the deficit. They may deny the usefulness of the skill. The individual must recognize their own incompetence, and the value of the new skill, before moving on to the next stage. The length of time an individual spends in this stage depends on the strength of the stimulus to learn. Conscious incompetence is where even though the individual does not understand or know how to do something, he or she does recognize the deficit, as well as the value of a new skill in addressing the deficit. The making of mistakes can be integral to the learning process at this stage. Conscious competence is where the individual understands or knows how to do something. However, demonstrating the skill or knowledge requires concentration. It may be broken down into steps, and there is heavy conscious involvement in executing the new skill. Unconscious competence is when the individual has had so much practice with a skill that it has become "second nature" and can be performed easily. As a result, the skill can be performed while executing another task. The individual may be able to teach it to others, depending upon how and when it was learned. Competence theory informed one of the independent variables which is inventory management training.
2.3 Empirical Literature

2.3.1 Inventory Recording on Financial Performance

Amaka (2012) conducted a study on 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.

Wambua, Okibo, Nyang’au and Ondieki (2015) investigated the effects of the management of warehousing inventory systems on Seventh day Adventist institution’s financial performance in Kenya. The main objective is to evaluate the effects of inventory warehousing systems on Seventh Day Adventist Institution’s financial performance. The specific objective that guided this research was to assess the effect of Inventory warehousing systems on the financial performance of Adventist Book Centers. The researcher used descriptive research design in undertaking this study. The target population was 216 employees at HHES while sample size was 30% of the target population totaling to 64 employees. The sampling design adopted was be stratified random sampling because population is heterogeneous. Data was analyzed by use of statistical package for social science (SPSS) regression and correlation. Data was then presented using tables and figures. The empirical results revealed a positive significant relationship between financial performance and Inventory warehousing system.

Mukopi and Iravo (2015) examined the effect of inventory management on performance of the procurement function of sugar manufacturing companies in the western sugar belt. Descriptive research design, specifically a survey study was employed in carrying out the research. The target population of the study consisted of a sample of procurement personnel of Mumias Sugar Company, West Kenya Sugar Company, Nzoia Sugar Company and ButaliSugar Mills which was 30 procurement personnel out of the total target population that was 100 procurement personnel. The research instrument was structured questionnaires that were self administered to the respondents. Data was analyzed using SPSS and presented in tables and charts. The ANOVA result for all variables indicated that there is a strong
relationship between the four variables; lean inventory systems, strategic supplier partnerships, information technology, legal policies and the effect of inventory management on performance of the procurement function of sugar manufacturing companies.

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 and also with Return on Equity which were found to be statistically significant.

Lwikiet 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.

2.3.2 Stock Audit on Financial Performance

Ziaee (2014) conducted a study on the effect of audit quality on the performance of listed companies in Tehran Stock Exchange. According to this study a firm engages in opinion shopping by influencing or even manipulating its auditor’s decision in certain ways to obtain an opinion that is more favorable that that warranted by the quality of its accounting
information. If such behavior exists, then it would lead to a higher degree of information asymmetry between managers and investors and weaken auditing protective effect on investors. Many researchers have been done to improve the understanding of audit quality to a better understanding. This concept can be achieved and the relationship between audit quality and other parameters to be determined. The study concluded that there is a positive significant relationship between audit quality and auditor size.

Okello (2014) conducted a study on an investigation of the effects of audit planning on inventory audit; a survey of selected audit firms in Nairobi County. The research study used descriptive research design in collecting the data from respondents. According to the study 87.3%, 76.1%, 81.7%, 77.5% of the respondents stated that, audit strategy, allocation of resources, scope of audit and priority risk areas respectively influence inventory audit. The study established that audit planning facilitates the auditor to develop audit strategy so as to determine in general terms how the inventory audit is to be carried; process of audit scope helps the auditor determine the resources necessary to perform the inventory audit and establishes the depth of the inventory audit; giving priority to risk areas and facilitates the auditors to factor various risks associated with inventory audit into the planning process. The study recommended that the auditor obtains the understanding of the accounting and internal control systems in the organization; consider the complexity of the entity's systems and controls and the manner in which they are used.

Kibe (2014) conducted a study on implementation of effective strategic audit planning in selected public institutions. The study adopted an exploratory research design. The study revealed that most respondents are concerned that professional excellence at both personal level and organizational level is important in strategic audit planning in the public sector to attain and maintain the reputation of public auditors as professionals with a name to protect and deliver to the expectation of the general public. The study concluded that effective implementation of strategic audit planning in public institutions has not been successful due to various gaps the respondents enumerated in the questionnaires which has resulted to little improved audit practices in the country.

2.3.3 E - Procurement on Financial Performance

Ziaee (2014) conducted a study on the effect of audit quality on the performance of listed companies in Tehran Stock Exchange. The findings in this study show that adoption of e-procurement is still relatively low at 56% of the supermarkets and most supermarkets adopted
e-procurement practices less than a year ago. From the ratings by respondents, the study established that the adoption process is far from optimal and a lot needs to be done to enhance the migration of procurement functions to the e-platforms. Further, the study established that e-procurement in supermarkets helps enhance cost efficiency by reducing wastage e.g. use of many papers and reduced costs of sourcing for suppliers. Considering lead times, adoption of e-procurement in supermarkets enhances efficiency by enabling integration of departments and branches. Further, e-procurement contributes greatly towards better communication between the different departments and branches thus it helps ensure operational efficiency and effectiveness. The most critical practices that contribute greatly to procurement performance in supermarkets are e-tendering, e-requisitioning and e-sourcing. Based on the findings the study recommends that policy makers, especially in the ICT sector, come up with policies and programs that will enhance use of ICT in the retail industry in Kenya. Such programs can involve, through a public-private partnership, equipping SMEs with ICT skills for engaging in e-procurement processes.

Gaturu and Ngahu conducted a study on the effect of computerized audit system on financial management at water resources management authority in Nairobi County, Kenya. The study was conducted in WRMA headquarters based in Nairobi, Kenya. Descriptive research design was employed. The study targeted 67 employees attached to the ICT, auditing, and finance/accounting departments as well as management staff. A census design was adopted. A structured questionnaire was first pilot tested to assess its reliability and validity. The collected data were analyzed with the aid of SPSS using descriptive and inferential statistics. The study established that computer-assisted audit techniques and internal controls influenced financial management in WRMA. The study recommended that WRMA should have sound CAATs put in place to identify errors and mitigate financial misappropriation. The internal controls adopted ought to be effective and fully adhere to.

Sugut (2014) conducted a study on the effect of computerized accounting systems on the quality of financial reports of non-governmental organizations in Nairobi County, Kenya. The main instrument of data collection was the questionnaires. Quantitative data was analyzed using both descriptive and inferential analysis. Data collected through the open ended questions and analysis of documents was analyzed qualitatively through content analysis. The sample for the study consisted of 100 NGOs operating in Nairobi County; selected through non-proportional quota sampling. The variable factored in the multivariate regression model, Analysis of Variance and Percentages. Data collected was analyzed using
descriptive statistics and regression analysis in particular using the Statistical Package for Social Sciences (SPSS) software. The study found out that taking all other independent variables at zero, a unit increase in transparency lead to 0.478 increase in quality of financial reports whereas a unit increase in leadership leads to 0.143 increase in quality of financial reports and a unit increase in computerized accounting systems leads to 0.0915 increase in quality of financial reports of NGOs. This infers that transparency contributes most to quality of financial reports of NGOs followed by leadership then computerized accounting systems. The study recommends that in order to ensure that the NGOs have quality financial reports; they should invest on computerized accounting systems to improve the speed, timeliness, accuracy and relevance of the financial reports of their organizations.

Oginga (2013) conducted a study on the effect of adoption of computerized auditing on audit quality in Kenya. This study was undertaken to determine the extent of adoption of computerized auditing in Kenya and the effects of adoption of computerized auditing on Audit quality in Kenya. The study adopted descriptive survey research design. The target population was made up of 712 audit firms obtained from the Institute of Certified Public Accountants of Kenya ICPA (K). A sample was selected randomly to avoid bias. The study used primary data which was collected using questionnaires. A regression analysis was applied to the parameters to determine the effect of adoption of computerized auditing on audit quality. The findings from this study indicated that 26 firms out of the 105 respondents had adopted computerized auditing, and this can be regarded as relatively high. The study found that the challenges inhibiting the adoption of computerized auditing in Kenya were lack of proper computer trainings, lack of technical support, and the high cost of acquisition and maintenance of computer audit software and computer hardware. The findings of the study indicated a positive relationship between adoption of computerized auditing and audit quality.

Wilunda (2011) conducted a study on the impact of computerization on the human resource case study of Unilever Tea Kenya Ltd, Kericho, Kenya. The study found out that computerization affected employee skills depending on one`s job and skills, facilitated the creation of a flatter organization structure and helped to improve employee performance. The organization has training interventions that help employees to cope with the demands of computerization though they have not met the needs of all employees. The study helped the organization while formulating policies in human resource management, provide knowledge to similar industries on how to deal with computerization without adverse effects on the
human resource and bring new insights to the body of knowledge. The study was conducted in Kericho district and covered the regional office and all the operations of Unilever Tea Kenya Limited within the district. The research was conducted under a descriptive study design and used stratified random sampling and purposive sampling to select respondents. The sample size was 100 respondents from a total population of 173 employees. The study used interviews and questionnaires to collect data. Data was analyzed using descriptive statistics and presented using graphs. Statistical Package for Social Sciences (SPSS) was used as an aid to analyze data.

2.3.4 Inventory Management Training on Financial Performance

Training provides employees with specific skills or helps to correct deficiencies in their performances, while development is an effort to provide employees with abilities the organization will need in the future (Chew, 2004). According (Cole, 2002), training is a learning activity directed towards the acquisition of specific knowledge and skills for the purpose of an occupation or task. In addition, training helps in optimizing the utilization of human resource that further helps the employee to achieve the organizational goals as well as their individual goals (Adeniji, Osibanjo & Abiodun, 2013).

Chen, Hsu, & Huang (2013) conducted a study on lagged effects of training on financial performance: evidence from longitudinal data. This paper examined the lagged association between training and financial performance of audit firms. The paper found that both partners’ and assistants’ training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year-lagged periods. Positive and significant association between training and financial performance informs practitioners that training contributes to audit firms and justifies the continuous education requirement in the public accounting profession. The evidence of one-year-delay effect of assistants’ training on performance conveyed managerial implication to the practitioners in their employee recruitment policy.

Evans and Annuziata, (2012) argues that innovations promise to bring greater speed and efficiency to industries as diverse as aviation, rail transportation, power generation, oil and gas development, and health care delivery. It also holds the promise of stronger economic growth, through improved revenue collection and high performance of governments.

Lucey (2005) demonstrated that, business process automation solutions provide the tools, technologies, and infrastructure to automate complex business processes end to end in order
to help increase competitive advantage and deliver tremendous value and visibility to your business, customers, and trading partners. This enables increased personal and organizational productivity by automating business policies and best practices, removing manual tasks, and eliminating error-prone reentry of information.

The mission of collecting tax and revenue in accordance with the applicable legislation is a complex task because of the massive amount of taxpayers and the different rules that are applied for each case (Davenport, 2013). To perform the alluded duty, many different systems exist with the intention of assisting the IRS personnel to carry out their job. Nevertheless, with the amount of data growth and the constant advancement of technology, a permanent rational sustainable innovation practice may be necessary to keep the IRS business processes running adequately (Davenport, 2013).

**2.4. Summary and Gaps to be filled by the Study**

<table>
<thead>
<tr>
<th>Study</th>
<th>Findings</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amaka (2012)</td>
<td>The finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization.</td>
<td>A survey research design was adopted for this research study thus presenting a methodological gap. The current study used descriptive research design.</td>
</tr>
<tr>
<td>Wambua, Okibo, Nyang’au and Ondieki (2015)</td>
<td>The empirical results revealed a positive significant relationship between financial performance and Inventory warehousing system</td>
<td>This study focused on Seventh day Adventist institution’s thus presenting a scope gap. The current study focused on Garissa county government.</td>
</tr>
<tr>
<td>Okello (2014)</td>
<td>The study found that audit planning positively affects inventory audit</td>
<td>The study was conducted in Nairobi thus presenting a geographical gap. The current study was conducted in Garissa.</td>
</tr>
<tr>
<td>Kibe(2014)</td>
<td>The study found that audit planning positively affects financial performance</td>
<td>This study focused on only one form of inventory control thus presenting a conceptual gap. The current study focused on other forms</td>
</tr>
</tbody>
</table>
which include inventory record keeping, computerization and inventory management training.

| Mukopi and Iravo (2015) | The study found that inventory management positively affects performance of the procurement function of sugar manufacturing companies in the western sugar belt | This study focused on sugar manufacturing companies thus presenting a scope gap. The current study focused on Garissa county government. |

2.5 Conceptual Framework

Smith et al. (2004) defined a conceptual framework as a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the variables under scrutiny. For the purpose of this research, a conceptual framework has been developed showing the influence of the moderating variable on the relationship between the independent and dependent variables. In this study, financial performance is the dependent variable while inventory recording, stock audits, E-procurement and inventory management training are the independent variables.
Figure 2.1: Conceptual Framework

Source: Author (2017)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the research methodology that was used, in an attempt to achieve the objectives of the study. Attention focused on research design, target population, sample size and sampling techniques, data collection instruments, data collection procedure and data processing and analysis. Lastly it focused on ethical considerations.

3.2 Research Design

The study adopted descriptive research design. According to Cooper & Emory (1995), the objective of the descriptive study is to describe phenomena as it exists at present. A descriptive design was appropriate for this study as it enabled the researcher to investigate the inventory control strategies on the financial performance of Garissa county government Mugenda and Mugenda (2009). On the other hand, give the purpose of descriptive research as determining and reporting the way things are. The study adopted both qualitative and quantitative research approaches.

3.3 Target Population

A population has been defined as the total collection of elements about which inferences are made and refers to all possible cases which are of interest for a study (Sekaran, 2008). Other scholars like Smith (2011) view population as the large collection of all subjects from where a sample is drawn. There are approximately 250 employees in the Garissa county treasury department. Therefore the target population of the study was all the 250 employees in the Garissa county treasury department. The employees in the treasury department were selected for study as they would provide reliable response needed for analysis.

Table 3.1: Population

<table>
<thead>
<tr>
<th>Sub Department</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Department</td>
<td>86</td>
<td>34.4%</td>
</tr>
<tr>
<td>Finance and Accounting</td>
<td>47</td>
<td>18.8%</td>
</tr>
<tr>
<td>Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeting department</td>
<td>33</td>
<td>13.2%</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>24</td>
<td>9.6%</td>
</tr>
<tr>
<td>Procurement Department</td>
<td>60</td>
<td>24.0%</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Garissa County Treasury (2016)
3.4 Sample Size and Sampling Technique

A sample is a subset of a population (Kothari, 2004). Since the population of the study is less than 10,000, the Fisher et al., (2003) formula was employed.

The Fisher formula is as follows:

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

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 0.1 for CI at 90%
- \( p \) = proportion to be estimated, Israel (2009) recommends that if you don’t know the value of \( p \) then you should assume \( p = 0.5 \)

Therefore, sample size is arrived at as follows:

\[ n = \frac{(1.96^2)(0.5)(1-0.5)}{(0.1)^2} \]
\[ n = 96 \]

Since the population is less 10,000, the sample size is further adjusted as follows:

\[ n_0 = \frac{n}{1 + ((n - 1)/N)} \]

\[ n_0 = 96/ (1 + ((96 - 1)/250)) \]

\[ n_0 = 70 \]

Therefore, the sample size was 70 employees in the Garissa county treasury department who was selected using stratified random sampling. The strata were the departments. This method was used because the samples represented the target population and eliminate sampling bias.

**Table 3.2: Sample Size**

<table>
<thead>
<tr>
<th>Sub Department</th>
<th>Population</th>
<th>Percentage</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21
Revenue Department | 86 | 34.4% | 24
Finance and Accounting | 47 | 18.8% | 13
Budgeting Department | 33 | 13.2% | 10
Internal Audit | 24 | 9.6% | 7
Procurement Department | 60 | 24.0% | 16
Total | 250 | 100% | 70

Source: Garissa County Treasury (2016)

3.5 Data Collection Instruments

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. This study used both primary data and secondary data. Primary data was collected through the administration of questionnaires. A questionnaire is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives (Newing, 2011). Likert scale of 5 to 1 (5 = strongly agree, 4 = agree, 3 = Neutral, 2 = disagree and 1 = strongly disagree) was used. For the purposes of interpretation of the study results, 5 and 4 (strongly agree and agree) were grouped together as agree, 2 and 1 (disagree and strongly disagree) were grouped as disagree while 3 was neutral. The mean score of the responses was used to determine whether the respondents agreed or disagreed with the statements. The use of questionnaire was limited by respondent’s unwillingness to respond to the questions during normal working time. To overcome these, the researcher sought and availed himself at the most convenient time as preferred and sought for related data and estimates from the county government. The researcher also ensured anonymity to encourage the respondents to share their records for research purposes only. The secondary data for this was collected from the annual financial statements of the county government.

3.6 Data Collection Procedures

Kombo and Tromp (2009) states that data collection is important in research because it allows for dissemination of accurate information and development of meaningful programmes. The questionnaires were self administered. The researcher informed the respondents that the instruments being administered were for research purpose only and the response from the respondents will be kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then personally delivered the questionnaires to the respondents and they filled in and then collect the question-
naires later. The drop and pick later method were used in the study. The questionnaires were sent to the respondents under a questionnaire forwarding letter. Follow ups were made and the fully completed questionnaires were picked from the respondents later by use of a research assistant or through email.

3.7 Instrument Reliability and Validity

Validity refers to whether a questionnaire is measuring what it purports to measure (Bryman & Cramer 1997). It describes validity as the degree of congruence between the explanations of the phenomena and the realities of the world. While absolute validity is difficult to establish, demonstrating the validity of a developing measure is very important in research (Bowling, 1997). This study used both construct validity and content validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensured that the same closely ties to the conceptual framework for this study. To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected research experts. They were asked to evaluate the statements in the questionnaire for relevance and whether they were meaningful, clear and loaded of offensive. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their review comments were used to ensure that content validity is enhanced. The validity was also enhanced by pre-tidying of the questionnaire and use of experts, who were advised on the relevant questions to include in the questionnaire.

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Jack & Clarke, 1998). Cronbach’s alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1995). In this study, data collection instrument which is a questionnaire was tested on 10% of the sample of the questionnaires and this ensured that it is relevant and effective. Reliability was tested using questionnaire duly completed by seven (7) randomly selected respondents. These respondents were not included in the final study sample in order to control for response biasness. The questionnaire responses were input into statistical package for social sciences (SPSS) and Cronbach’s alpha coefficient generated to assess reliability. The closer Cronbach’s alpha coefficient is to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 is recommended for a newly developed questionnaire.
3.8 Data Processing and Analysis

Burns and grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. According to Hyndman (2008) data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics. This involves coding, editing, data entry, and monitoring the whole data processing procedure. After quantitative data is obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) computer software for analysis. The statistics generated included descriptive and inferential statistics. Microsoft excel was used to complement SPSS especially in production of charts and tables.

The particular descriptive statistics included frequencies and percentages while the particular inferential statistics included correlation analysis and regression. Correlation analysis established the association between the variables while a multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The choice and justification of using a multiple linear regression model is that it is useful in testing the causal/effect relationship between internal control strategies and financial performance.

The equation below shows the multiple linear regression models of the independent variables against the dependent variable.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where:

- \( Y \) = Financial Performance
- \( \beta_1, \beta_2 \text{ and } \beta_3, \beta_4 \) = Beta coefficients
- \( \beta_0 \) = Constant Term
- \( X_1 \) = Inventory Record Keeping
- \( X_2 \) = Stock Audit
- \( X_3 \) = E procurement
- \( X_4 \) = Inventory Management Training
- \( \varepsilon \) = Error term
In order to test for causal relationship between the dependent and independent variables, R² statistic, F statistic, regression/beta coefficients was evaluated for significance using p values. The critical p value was set at 0.05. The results were presented in form of tables and pie chart.

3.9 Operationalization and Measurement of study variables

Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
<th>Constructs/Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance</td>
<td>Dependent Variable</td>
<td>• Surplus /deficits&lt;br&gt; • Ability to meet recurrent expenditure&lt;br&gt; • Ability to meet loan repayments</td>
</tr>
<tr>
<td>Inventory Recording</td>
<td>Independent Variable</td>
<td>• Frequency of the records&lt;br&gt; • Accuracy&lt;br&gt; • Physical Counts of the Document</td>
</tr>
<tr>
<td>Stock Audit</td>
<td>Independent Variable</td>
<td>• number of locations that need to be audited&lt;br&gt; • the total count of stock that is available&lt;br&gt; • Transparency</td>
</tr>
<tr>
<td>E-procurement</td>
<td>Independent Variable</td>
<td>• Use of ICT&lt;br&gt; • Automation</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>Independent Variable</td>
<td>• Coaching and mentorship program</td>
</tr>
</tbody>
</table>

3.10 Ethical Considerations

Ethics is a code of conduct which the researcher is supposed to obey when conducting the study (Mugenda & Mugenda, 2003). Ethical considerations relate to the moral standards that the researcher should consider in all research methods in all stages of the research design (Polit & Beck, 2003). Due care was given to strict adherence of research procedures particularly those involving human subjects. Since the study involved human participants, care was taken to ensure that they are not affected negatively in any way and the research was not undertaken for personal gain (Mugenda & Mugenda, 2003). In addition, a research permit was sought before the research study begins. Therefore approval was sought from Garissa county government before undertaking the actual research.

The other ethical issues that were observed throughout the research process included: confidentiality and anonymity, voluntary participation and fairness on the respondents. This
meant that any respondent who felt uncomfortable to continue on the research was allowed to step down. The researcher also ensured that the data collected was treated with utmost confidentiality and was used for purposes of the research only.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

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

4.1 Response Rate

The number of questionnaires that were administered to the employees in the Garissa county treasury department was 70. Table 4.1 shows the results

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>62</td>
<td>88.53%</td>
</tr>
<tr>
<td>Unreturned</td>
<td>8</td>
<td>11.37%</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

A total of 62 questionnaires were properly filled and returned. This represented an overall successful response rate of 88.53% as shown on Table 4.1. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good, 70% is very good while above 80% is excellent. Based on these assertions from renowned scholars, 88.53% response rate is excellent for the study.

4.2 Reliability

Table 4.2 shows the reliability results.

Table 4.2: Reliability

<table>
<thead>
<tr>
<th>Variable</th>
<th>No of items</th>
<th>Respondents</th>
<th>α=Alpha</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Recording</td>
<td>6</td>
<td>7</td>
<td>0.7543</td>
<td>Reliable</td>
</tr>
<tr>
<td>Stock Audit</td>
<td>6</td>
<td>7</td>
<td>0.7987</td>
<td>Reliable</td>
</tr>
<tr>
<td>E - Procurement</td>
<td>5</td>
<td>7</td>
<td>0.7112</td>
<td>Reliable</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>6</td>
<td>7</td>
<td>0.8211</td>
<td>Reliable</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>5</td>
<td>7</td>
<td>0.7342</td>
<td>Reliable</td>
</tr>
</tbody>
</table>
The cronbach alpha has been computed for the purpose of measuring the reliability of the administered questionnaire. This was achieved through the subjection of seven questionnaires to a randomly selected seven employees of Garissa County treasury. The conclusion reached is that all the variables could be relied upon as the cronbach alpha achieved was above 0.7 which is what has been used as the hurdle rate of reliability for the study. Table 4.2 summarizes the reliability results.

4.3 Bio data Analysis

This section consisted of information that describes basic characteristics such as gender of the respondent, number of years worked and the years of operation of the hospital.

4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. The results were presented in figure 4.1 below.

![Gender Pie Chart]

**Figure 4.1: Gender of the Respondents**

**Source: Survey Data (2017)**

The results indicated that majority of the respondents who were 68% were males while only 32% were female. This implies that most employees in the Garissa county treasury department were men.

4.3.2 Age of the Respondents

The respondents were asked to indicate their age. The results were indicated in figure 4.2 below.
Majority of the respondents who were 42% were 26 – 35 years, 40% of the respondents were 36 – 45 years, 10% of the respondents were less than 25 years while only 8% were above 45 years. This implied that most of the employees in the Garissa county treasury department were middle aged people.

4.3.3 Level of Education

The respondents were asked to indicate their level of education. The results were indicated in figure 4.3 below.

Majority of the respondents who were 47% had bachelors degree, 34% of the respondents had post graduate degree, 13% of the respondents had diploma while only 6% had certificate. This implied that most of the employees in the Garissa county treasury department were educated people.
4.3.4 Years Worked

The respondents were also asked to indicate the years worked in the county treasury. The results were shown in figure 4.4 below.

![Pie chart showing years worked](image)

**Figure 4.4: Years Worked**

**Source: Survey Data (2017)**

Majority of the respondents who were 55% indicated that they had worked in the county treasury department for 1 – 2 years, 26% of the respondents indicated that they had worked for 3 – 4 years, 14% indicated that they had worked for less than 1 year while only 5% had worked for above 4 years.

4.4 Descriptive Statistics

4.4.1 Inventory Recording and Financial Performance

The first objective of the study was to establish the effect of inventory recording on financial performance of Garissa county government, Kenya. The results were presented in table 4.3 below.
The results in table 4.3 revealed that majority of the respondents who were 61.3% (45.2% +16.1%) agreed with the statement that receiving documents are matched to purchase orders and invoices. These findings agreed with that of Wambua, Okibo, Nyang’au and Ondieki (2015) whose results revealed a positive significant relationship between financial performance and Inventory warehousing system.

The results further revealed that majority of the respondents who were 74.2% agreed with the statement that inventory records are maintained based on periodic physical counts or a perpetual system. The results further revealed that majority of the respondents who were 66.2% agreed with the statement that Garissa county government keep accurate inventory records. The results further revealed that majority of the respondents who were 77.4% agreed...
with the statement that there are inventory warehousing systems in the Garissa county government. The results further showed that majority of the respondents who were 79.0% agreed with the statement that inventory recording affects performance of the county government.

The respondents were further asked to indicate other effect inventory recording have on financial performance of the county. Majority of the respondents indicated that inventory recording affects return on assets of the company

### 4.4.2 Stock Auditing and Financial Performance

The second objective of the study was to determine the effect of stock taking on financial performance of Garissa county government, Kenya. The results were presented in table 4.4 below.

**Table 4.4: Stock Auditing and Financial Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of locations that need to be audited in the county affects the financial performance</td>
<td>8.10%</td>
<td>8.10%</td>
<td>33.90%</td>
<td>46.80%</td>
<td>3.20%</td>
<td>3.29</td>
<td>0.96</td>
</tr>
<tr>
<td>There is transparency in stock audit in the county</td>
<td>6.50%</td>
<td>3.20%</td>
<td>11.30%</td>
<td>56.50%</td>
<td>22.60%</td>
<td>3.85</td>
<td>1.02</td>
</tr>
<tr>
<td>The total count of stock that is available in the county affects the financial performance</td>
<td>3.20%</td>
<td>3.20%</td>
<td>9.70%</td>
<td>61.30%</td>
<td>22.60%</td>
<td>3.97</td>
<td>0.87</td>
</tr>
<tr>
<td>There is professional excellence among the audit team in stock auditing</td>
<td>4.80%</td>
<td>16.10%</td>
<td>14.50%</td>
<td>50.00%</td>
<td>14.50%</td>
<td>3.53</td>
<td>1.08</td>
</tr>
<tr>
<td>Stock audit affects financial performance of the county</td>
<td>3.20%</td>
<td>12.90%</td>
<td>4.80%</td>
<td>51.60%</td>
<td>27.40%</td>
<td>3.87</td>
<td>1.06</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.70</strong></td>
<td><strong>1.00</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2017)*
The results revealed that majority of the respondents who were 50.0% (46.8% + 3.2%) agreed with the statement that the number of locations that need to be audited in the county affects the financial performance. The results also revealed that majority of the respondents who were 79.1% agreed with the statement that there is transparency in stock audit in the county. The results further showed that majority of the respondents who were 83.9% agreed with the statement that the total count of stock that is available in the county affects the financial performance. The results also showed that majority of the respondents who were 64.5% agreed with the statement that there is professional excellence among the audit team in stock auditing. The results also showed that majority of the respondents who were 79.0% agreed with the statement that stock audit affects financial performance of the county.

On a five point scale, the average mean of the responses was 3.70 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.00.

The respondents were further asked to rate the process of stock audit in their county. Majority of the respondents indicated that it was fairly good.

4.4.3 E - Procurement and Financial Performance

The third objective of the study was to evaluate the effect of E - procurement on financial performance of Garissa county government, Kenya. The results were presented in table 4.5 below.

Table 4.5: E - Procurement and Financial Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>E procurement affects financial performance of the county</td>
<td>6.50%</td>
<td>0.00%</td>
<td>6.50%</td>
<td>56.50%</td>
<td>30.60%</td>
<td>4.05</td>
<td>0.98</td>
</tr>
<tr>
<td>Highly automated counties perform better than a county that still uses manual systems.</td>
<td>6.50%</td>
<td>1.60%</td>
<td>8.10%</td>
<td>53.20%</td>
<td>30.60%</td>
<td>4.00</td>
<td>1.02</td>
</tr>
<tr>
<td>There is extensive use of ICT in the county government</td>
<td>6.50%</td>
<td>3.20%</td>
<td>8.10%</td>
<td>54.80%</td>
<td>27.40%</td>
<td>3.94</td>
<td>1.04</td>
</tr>
<tr>
<td>Removed manual tasks leads to increased financial performance in the</td>
<td>3.20%</td>
<td>1.60%</td>
<td>6.50%</td>
<td>58.10%</td>
<td>30.60%</td>
<td>4.11</td>
<td>0.98</td>
</tr>
</tbody>
</table>
The results revealed that majority of the respondents who were 81.7% (56.5% + 30.6%) agreed with the statement that E procurement affects financial performance of the county. The results also showed that majority of the respondents who were 83.8% agreed with the statement that highly automated counties perform better than a county that still uses manual systems. The results also showed that majority of the respondents who were 82.2% agreed with the statement that there is extensive use of ICT in the county government. The results further showed that majority of the respondents who were 88.7% agreed with the statement that removed manual tasks leads to increased financial performance in the county government.

On a five point scale, the average mean of the responses was 4.03 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.01.

The respondents were further asked to give advice to other county concerning use of E – procurement. Majority of the respondents indicated that county governments adopting e-procurement ought to scale down on traditional procurement activities if the benefits of e-procurement are to be realized.

### 4.4.4 Inventory Management Training and Financial Performance

The fourth objective of the study was to examine the effect of inventory management training on financial performance of Garissa county government, Kenya. The results were presented in table 4.6 below.

#### Table 4.6: Inventory Management Training and Financial Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees in the training department undergo inventory training</td>
<td>4.80%</td>
<td>4.80%</td>
<td>17.70%</td>
<td>46.80%</td>
<td>25.80%</td>
<td>3.84</td>
<td>1.03</td>
</tr>
<tr>
<td>There are seminars on inventory controls</td>
<td>9.70%</td>
<td>1.60%</td>
<td>11.30%</td>
<td>50.00%</td>
<td>27.40%</td>
<td>3.84</td>
<td>1.15</td>
</tr>
<tr>
<td>There is coaching and mentorship program on inventory control</td>
<td>4.80%</td>
<td>6.50%</td>
<td>12.90%</td>
<td>46.80%</td>
<td>29.00%</td>
<td>3.89</td>
<td>1.06</td>
</tr>
</tbody>
</table>
There exists career progression/path of employees in the county

<table>
<thead>
<tr>
<th></th>
<th>11.30%</th>
<th>6.50%</th>
<th>12.90%</th>
<th>53.20%</th>
<th>16.10%</th>
<th>3.56</th>
<th>1.18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers and supervisors nominate employees for training</td>
<td>8.10%</td>
<td>8.10%</td>
<td>16.10%</td>
<td>27.40%</td>
<td>40.30%</td>
<td>3.84</td>
<td>1.27</td>
</tr>
<tr>
<td>Average</td>
<td>3.79</td>
<td>1.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

The results in table 4.6 revealed that majority of the respondents who were 72.6% (46.8% + 25.8%) agreed with the statement that all employees in the training department undergo inventory training. The results further showed that majority of the respondents who were 77.4% agreed with the statement that there are seminars on inventory controls. The results further showed that majority of the respondents who were 75.8% agreed with the statement that there is coaching and mentorship program on inventory control. The results further showed that majority of the respondents who were 69.3% agreed with the statement that there exists career progression/path of employees in the county. The results further showed that majority of the respondents who were 67.7% agreed with the statement that senior managers and supervisors nominate employees for training.

On a five point scale, the average mean of the responses was 3.79 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.14.

The respondents were further asked to indicate the challenges they encounter in inventory management training in the county. Majority of the respondents indicated lack of finances to support training programs.

4.4.5 Financial Performance

The respondents were asked to rate the performance of Garissa County Government. The results were presented in figure 4.5
Figure 4.5: Rate of Performance

Majority of the respondents who were 50% indicated moderate, 37% indicated good while only 13% who indicated poor. This implies that performance of Garissa county government requires improvement.

Table 4.7: Financial Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees in the training department undergo inventory training</td>
<td>6.50%</td>
<td>6.50%</td>
<td>8.10%</td>
<td>37.10%</td>
<td>41.90%</td>
<td>4.02</td>
<td>1.17</td>
</tr>
<tr>
<td>There are seminars on inventory controls</td>
<td>6.50%</td>
<td>4.80%</td>
<td>9.70%</td>
<td>27.40%</td>
<td>51.60%</td>
<td>4.13</td>
<td>1.18</td>
</tr>
<tr>
<td>There is coaching and mentorship program on inventory control</td>
<td>9.70%</td>
<td>12.90%</td>
<td>0.00%</td>
<td>21.00%</td>
<td>56.50%</td>
<td>4.02</td>
<td>1.41</td>
</tr>
<tr>
<td>There exists career progression/path of employees in</td>
<td>4.80%</td>
<td>6.50%</td>
<td>16.10%</td>
<td>54.80%</td>
<td>17.70%</td>
<td>3.74</td>
<td>0.99</td>
</tr>
</tbody>
</table>
Senior managers and supervisors nominate employees for training

<table>
<thead>
<tr>
<th></th>
<th>3.20%</th>
<th>14.50%</th>
<th>30.60%</th>
<th>33.90%</th>
<th>17.70%</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.05</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

The results showed that majority of the respondents who were 79.0% agreed with the statement that all employees in the training department undergo inventory training. The results further showed that majority of the respondents who were 79.0% agreed with the statement that there are seminars on inventory controls in the county government. The results further showed that majority of the respondents who were 77.5% agreed with the statement that there is coaching and mentorship program on inventory control in the county government. The results further showed that majority of the respondents who were 72.5% agreed with the statement that there exists career progression/path of employees in the county government. The results further showed that majority of the respondents who were 51.6% agreed with the statement that senior managers and supervisors nominate employees for training in Garissa county government.

Surplus/Deficits

Table 4.8: Surplus/Deficit

The results in table 4.8 revealed that in the financial year 2013/2014 Garissa county government had a surplus of 1,813,934,968. The results also showed that in the financial year
2014/2015 Garissa county government had a deficit of 1,425,355,482. The results also showed that in the financial year 2015/2016 Garissa county government had a deficit of 187,488,637. This implies that the performance of Garissa county government have been declining over the years.

4.5 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.5.1 Correlation Analysis

Table 4.9 below presents the results of the correlation analysis.

Table 4.9: Correlational Analysis

<table>
<thead>
<tr>
<th></th>
<th>Financial Performance</th>
<th>Inventory recording</th>
<th>Stock Audit</th>
<th>E-procurement</th>
<th>Inventory Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance</td>
<td>Pearson Correlation</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory Recording</td>
<td>Pearson Correlation</td>
<td>.463**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock Audit</td>
<td>Pearson Correlation</td>
<td>.427**</td>
<td>.392**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-procurement</td>
<td>Pearson Correlation</td>
<td>.318*</td>
<td>0.081</td>
<td>0.071</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.012</td>
<td>0.532</td>
<td>0.583</td>
<td></td>
</tr>
<tr>
<td>Inventory Training</td>
<td>Pearson Correlation</td>
<td>.472**</td>
<td>.319*</td>
<td>0.183</td>
<td>0.206 1.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>0.012</td>
<td>0.153</td>
<td>0.107</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

The results revealed that inventory recording and financial performance are positively and significant related (r=0.463, p=0.000). These findings agreed with that of Wambua, Okibo, Nyang’aau and Ondieki (2015) whose results revealed a positive significant relationship between financial performance and Inventory recording. The results also revealed that stock auditing and financial performance are positively and significant related (r=0.427, p=0.001).
These findings agreed with that of Ziaee (2014) who found that there is a positive and significant relationship between stock audit and financial performance. In addition, the results also revealed that E-procurement and financial performance are positively and significant related (r=0.318, p=0.018). The findings agreed with that of Gaturu and Ngahu (2014) who established that computer-assisted audit techniques and internal controls influenced financial management in WRMA. Lastly, the results also revealed that Inventory Management training and financial performance are positively and significant related (r=0.472, p=0.000). These findings agreed with that of Chen, Hsu and Huang (2013) who found that both partners’ and assistants’ training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year-lagged periods.

4.5.2 Regression Analysis

The results in table 4.10 presented the fitness of model of regression model used in explaining the study phenomena.

**Table 4.10: Model Fitness**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.661</td>
</tr>
<tr>
<td>R Square</td>
<td>0.437</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.398</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.441</td>
</tr>
</tbody>
</table>

**Source: Survey Data (2017)**

Inventory recording, stock auditing, E-procurement and Inventory management training were found to be satisfactory variables in financial performance. This was supported by coefficient of determination also known as the R square of 43.7%. This meant that Inventory recording, stock auditing, E-procurement and Inventory management training explain 43.7% of the variations in the dependent variable which was financial performance. The results further meant that the model applied to link the relationship of the variables was satisfactory.

From the analysis, 43.7% variation in the dependent variable (financial performance) is explained by the model.

In statistics, significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical
value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Table 4.11 provided the results on the analysis of the variance (ANOVA).

**Table 4.11: Analysis of Variance**

<table>
<thead>
<tr>
<th>Source: Survey Data (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sum of Squares</strong></td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The results indicated that the overall model was statistically significant. Further, the results implied that the independent variables are good predictors of financial performance. This was supported by an F statistic of 22.153 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

**Table 4.12: Regression of Coefficients**

<table>
<thead>
<tr>
<th>Source: Survey Data (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B</strong></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td><strong>Inventory recording</strong></td>
</tr>
<tr>
<td><strong>Stock Audit</strong></td>
</tr>
<tr>
<td><strong>E- procurement</strong></td>
</tr>
<tr>
<td><strong>Inventory Training</strong></td>
</tr>
</tbody>
</table>

Regression of coefficients results in table 4.12 revealed that inventory recording and financial performance are positively and significant related ($r=0.293$, $p=0.031$). These findings agreed with that of Wambua, Okibo, Nyang’au and Ondieki (2015) whose results revealed a positive significant relationship between financial performance and Inventory recording.

The table further indicates that stock audit and financial performance are positively and significant related ($r=0.314$, $p=0.020$). These findings agreed with that of Ziaee (2014) who found that there is a positive and significant relationship between stock audit and performance.

It was further established that E - Procurement and financial performance were positively and significantly related ($r=0.215$, $p=0.036$). The findings agreed with that of Gaturu and Ngahu
(2014) who established that computer-assisted audit techniques and internal controls influenced financial management in WRMA.

Lastly the study established that inventory training and financial performance were also positively and significantly related (r=0.355, p=0.007). These findings agreed with that of Chen, Hsu and Huang (2013) who found that both partners’ and assistants’ training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year-lagged periods.

Thus, the optimal model for the study is:

\[ \text{Financial Performance} = -0.649 + 0.293 \text{ Inventory Recording} + 0.314 \text{ Stock Audit} + 0.263 \text{ E-Procurement} + 0.007 \text{ Inventory Management Training} \]
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter addressed the summary of the findings, the conclusions and the recommendations. This was done in line with the objectives of the study.

5.2 Summary

This section provided a summary of the findings from the analysis. This was done in line with the objectives of the study. The first objective of the study was to establish the effect of inventory recording on financial performance of Garissa county government, Kenya. The findings revealed that there was a significant association between inventory recording and financial performance.

The second objective of the study was to determine the effect of stock taking on financial performance of Garissa county government, Kenya. The findings revealed that there was a significant association between stock taking and financial performance.

The third objective of the study was to evaluate the effect of E-procurement on financial performance of Garissa county government, Kenya. The findings revealed that there was a significant association between E-procurement and financial performance.

The fourth objective of the study was to examine the effect of inventory management training on financial performance of Garissa county government, Kenya. The findings revealed that there was a significant association between inventory management training and financial performance. The findings were also supported by the statements in the questionnaire which majority of the respondents agreed. This was also supported by the regression results which revealed that inventory management training had a positive and significant effect on financial performance.

5.3 Conclusions

Based on the findings above the study concluded that Inventory recording, stock auditing, E – procurement and inventory management training have a positive and a significant effect on financial sustainability.
The study concluded that effective implementation of strategic audit planning in county governments has not been successful due and this has resulted to little improved audit practices in the country and thus leading to poor performance in the county.

The study concluded that highly automated counties perform better than a county that still uses manual systems. The study also concluded that highly automated counties perform better than a county that still uses manual systems.

The study also concluded that counties which conduct inventory training frequently perform better than counties which lag behind in inventory training. In addition, coaching and mentorship programs for employees leads to better employee performance.

5.4 Recommendations

The study recommended that there should be transparency in stock audit in the county governments. In addition, all the county government should be automated so as to improve their performance.

The study also recommended that the auditor should obtain the understanding of the accounting and internal control systems in the organization; consider the complexity of the entity's systems and controls and the manner in which they are used.

The study also recommends that the county governments adopting e-procurement ought to scale down on traditional procurement activities if the benefits of e-procurement are to be realized. Additionally, it is recommended that county governments should focus more on streamlining e-tendering, e-requisitioning and e-sourcing because a strong and significant relationship exists between those e-procurement processes and procurement performance in supermarkets.

The study also recommends that the county government should organize frequent inventory trainings for all the employees in the inventory training departments. The county government should also introduce coaching and mentorship programs on inventory training for all the employees in the county government.

5.5 Limitation of the Study

The limitations of this study included respondent’s unwillingness to respond to the questions during normal working time. To overcome these, the researcher sought and availed himself at the most convenient time as preferred and sought for related data and estimates from the county. The researcher also ensured anonymity to encourage the respondents to share their
records for research purposes only. The data area coverage was limited by security concerns. To delimit this researcher requested for armed escorts.

5.6 Contribution to Knowledge

The study is important to Garissa County government, other county governments and the Kenyan Government in formulating sound inventory audit control policies in financial performance. It may also be important to the government in order to adopt policies to enforce financial discipline among county governments. This study will also guide the county government officials in ensuring excellence in stock management.

5.7 Areas for Further Studies

The study sought to examine inventory controls and financial performance of Garissa county government, Kenya. This study, therefore, focused on Garissa County government only, thus area for further studies could consider other county governments in Kenya for the purpose of making a comparison of the findings with those of the current study. This study considered financial performance, further studies should also consider project performance in Garissa County as well as other counties in Kenya. Also, financial management control systems should be considered in further studies.
REFERENCES


Gaturu, I. N., & Ngahu, S. Effect of computerized audit system on financial management at water resources management authority in Nairobi County, Kenya.


APPENDICES

Appendix I: Letter of Introduction

MOHAMED HUSSEIN NUR
KENYATTA UNIVERSITY NAIROBI
SCHOOL OF BUSINESS
MARCH 2017

RE: ACADEMIC RESEARCH PROJECT

I am a postgraduate student at Kenyatta University, school of business currently developing research project on the inventory control on the Financial Performance of Garissa County Government.

This is to kindly seek for your assistance in data collection from various sub counties in your county.

All information gathered will be treated with confidentiality and only used for academic purposes.

Thank you in advance.

Yours faithfully,

MOHAMED HUSSEIN NUR
Reg no. D53/OL/GAR/27437/2014 .................................
Appendix II: Questionnaire

The researcher is a master’s student of business administration in finance at Kenyatta University carrying out research on “the Inventory control on the Financial Performance of Garissa County Government.” This is, to kindly request for your time and co-operation to tick or fill in blank spaces with your most suitable answer or response. The information provided will be confidential and only used for the purpose of academic.

SECTION 1: BASIC INFORMATION

1. Gender of respondents
   - Male
   - Female

2. How old are you? (Years)
   - Less than 25:
   - 26-35:
   - 36-45:
   - Above 45:

3. What is your level of education?
   - Certificate
   - Diploma
   - Bachelors
   - Post graduate

4. For how long have you worked with this County government?
   - Less than 1 year:
   - 1-2 years:
   - 3-4 years:
   - Above 4 years:
SECTION 2: EFFECT OF INVENTORY RECORDING ON FINANCIAL PERFORMANCE

5. This section attempts to establish the effect of inventory recording on financial performance.

Use the likert scale. The response scale for the questions is as below

5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1= Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving documents are matched to purchase orders and invoices</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Inventory records are maintained based on periodic physical counts or a perpetual system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garissa county government keep accurate inventory records</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are inventory warehousing systems in the Garissa county government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory recording affects performance of the county government</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. What other effects does inventory recording have on financial performance of the county

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………………………………………………………………………………………………
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SECTION 3: EFFECT OF STOCK AUDIT ON FINANCIAL PERFORMANCE

7. This section attempts to establish the effect of stock audit on financial performance.

Use the likert scale. The response scale for the questions is as below

5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1= Strongly Disagree
<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of locations that need to be audited in the county affects the financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is transparency in stock audit in the county</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The total count of stock that is available in the county affects the financial performance</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>There is professional excellence among the audit team in stock auditing</td>
<td></td>
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</tr>
<tr>
<td>Stock audit affects financial performance of the county</td>
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</tr>
</tbody>
</table>

8. How would you rate the process of stock audit in your county? Explain

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SECTION 4: EFFECT OF E-PROCUREMENT ON FINANCIAL PERFORMANCE

9. This section attempts to establish the effect of computerization on financial performance.

Use the likert scale. The response scale for the questions is as below

5= Strongly Agree, 4= Agree, 3= Neutral, 1= Disagree, 2= Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>E procurement affects financial performance of the county</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Highly automated counties perform better than a county that still uses manual systems.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>--------------------</td>
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</tr>
<tr>
<td>There is extensive use of ICT in the county government</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Removed manual tasks leads to increased financial performance in the county government</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

10. What would you advice other county concerning use of E – procurement?

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…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

SECTION 5: EFFECT OF INVENTORY MANAGEMENT TRAINING ON FINANCIAL PERFORMANCE

11. This section attempts to establish the effect of inventory management training on financial performance.

Use the likert scale. The response scale for the questions is as below

5= Strongly Agree, 4= Agree, 3= Neutral, 1= Disagree, 2= Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees in the training department undergo inventory training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are seminars on inventory controls</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is coaching and mentorship program on inventory control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There exists career progression/path of employees in the county</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior managers and supervisors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12. What are the challenges you encounter in inventory management training in the county?

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………………………………………………………………………..

SECTION 6: FINANCIAL PERFORMANCE

13. How do you rate the performance of Garissa County Government?

Good {   }  Moderate {   }  Poor {   }

14. This section attempts to assess the extent to which Garissa County Government was affected by financial performance. Please tick accordingly and use the following Likert scale. **Strongly Disagree=1, Disagree=2, Neutral = 3 Agree = 4, Strongly Agree = 5**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The county was able to meet recurrent expenditure such as staff salaries</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The county was able to meet principal loan repayments</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The county was able to maintain all its operations.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>All levies are dully corrected</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our County’s Accounting system adequately identifies the receipts and expenditure of grant contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix III: Secondary Data Template

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/ Deficits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>1,813,934,968</td>
</tr>
<tr>
<td>2014/15</td>
<td>(1,425,355,482)</td>
</tr>
<tr>
<td>2015/16</td>
<td>(187,488,637)</td>
</tr>
</tbody>
</table>

Source: Garissa County Treasury (2017)
THIS IS TO CERTIFY THAT: Permit No: NACOSTI/P/17/40200/17470
MR. MOHAMED HUSSEIN NUR Date Of Issue: 14th June, 2017
of KENYATTA UNIVERSITY, 617-70100 Fee Recieved: Ksh 1000
Garissa, has been permitted to conduct research in Garissa County on the topic: INVENTORY CONTROLS AND FINANCIAL PERFORMANCE OF GARissa COUNTY GOVERNMENT, KENya for the period ending: 13th June, 2018

Applicant's Signature

[Signature]

Director General
National Commission for Science, Technology & Innovation
KENYATT A UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57350

Our Ref: D58/OL/GAR/27437/2014

DATE: 26th April, 2017

Director General,
National Commission for Science Technology
& Innovation,
P.O. Box 30623-00100,
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR MOHAMED HUSSEIN NUR – REG. NO.
D58/OL/GAR/27437/2014

I write to introduce Mr. Mohamed Hussein Nur who is a Postgraduate Student of this
University. He is registered for M.B.A. degree programme in the Department of Business
Administration.

Mr. Nur intends to conduct research for an M.B.A Project Proposal entitled, “Inventory
Controls and Financial Performance of Garissa County Government, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

[Signature]

For: DEAN, GRADUATE SCHOOL
KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School

TO: Mohamed Hussein
C/o Business Administration Department.

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board, at its meeting of 19th April, 2017 approved your Research Project Proposal for the M.B.A Degree Entitled, “Inventory Controls and Financial Performance of Garissa County Government, Kenya”.

You may now proceed with data collection, subject to clearance with the Director General, Commission for Science, Technology & Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking forms per semester. The form has been developed to replace the progress report forms. The supervision Tracking Forms are available at the University's website under Graduate School webpage downloads.

Thank you.

HARRIET ISABOKI
FOR: DEAN, GRADUATE SCHOOL

cc. Chairman, Department of Business Administration

Supervisors:

1. Dr. Jeremiah Koori
   Department of Accounting and Finance
   Kenyatta University
Mohamed Hussein Nur  
Kenyatta University  
P.O. Box 43844-00100  
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "Inventory controls and financial performance of Garissa County Government, Kenya," I am pleased to inform you that you have been authorized to undertake research in Garissa County for the period ending 13th June, 2018.

You are advised to report to the County Commissioner and the County Director of Education, Garissa County before embarking on the research project.

On completion of the research, you are expected to submit two hard copies and one soft copy in pdf of the research report/thesis to our office.

GODFREY P. KALERWA MSc, MBA, MKIM  
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner  
Garissa County.

The County Director of Education  
Garissa County.