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Abstract

Internal control system is one of the fundamental issues from a global perspective. The growth of the global economy and many small and medium sized enterprises that are coming up in this century has led to the challenges in the management of resources and hence the need for the internal control systems. Internal control measures are generated to ensure that the assets and resources of the organization are safe guarded. They also assist in detecting against possible frauds that might occur in the organization. Various cost reduction mechanism have been adopted by many hotels in the various departments. However, many hotels have had difficulties in controlling costs which in the long run has always escalated the cost of expenses. Additionally, limited studies have been done on cost reduction measures in the housekeeping department of hotels. The study therefore sought to find out the internal control mechanisms adopted and their influence on costs in the housekeeping department on the various hotels that formed part of the study. The specific objectives for the study were to establish the types of internal control measures instituted in hotels that formed part of the study, to determine whether an internal monitoring and review system that can detect internal control weakness existed in the hotels that formed part of the study and lastly to determine whether the hotels in Nairobi often conduct risk assessment processes to avert any problems of internal control. The study was conducted in Nairobi County whereby the hotels that formed part of the study were selected through a census from the population. The study adopted descriptive survey design with both quantitative and qualitative research approaches for data collection and analysis. Quantitative data was analyzed using both descriptive and inferential analysis. The target population was 1380 middle and senior level staff in all the forty-eight (48) classified hotels comprising of 3-5-star hotels in Nairobi County. This population yielded a sample size of 300 respondents. Questionnaires and interview schedules were used to collect data.

Validity and reliability of the research instruments was tested by conducting a pre- test of the study before embarking on the actual study. The quantitative data was regressed linearly to ascertain the relationship among the variables. Qualitative data was triangulated and analyzed based on the findings. The results revealed that there was a relationship between control environment and cost reduction was positive and statistically significant ($r=.595$, $p<0.05$). The relationship between control activities and cost reduction was positive and significant ($r= 0.699$, $p<0.05$), the relationship between monitoring system and cost reduction was positive and significant. ($r= 0.690$, $p<0.05$). There was a positive and significant correlation between Risk assessment and cost reduction ($r =.679$, $p<0.05$). The regression of the variables generated the R square value of 0.853 ($R^2 = 0.853$) which indicated that the predictor variables explained 85.3% of the outcome variable a significant relationship among the variables. The study concluded there is a correlation between internal control measures and cost control yielding a strong positive relationship between the above mentioned variables. The study recommended that hotels in Nairobi County should endeavor to build capacity in getting good internal control measures to ensure that their cost reduction is not compromised.

Keywords: *Housekeeping control environment, housekeeping control activities, housekeeping monitoring system, housekeeping risk assessment, internal control measures, cost reduction, 3-5 star hotels, Nairobi City County, Kenya*

1.0 INTRODUCTION

Internal control system is a pertinent and of a fundamental concern from a global perspective due to the many resources that institutions and organisations handle. The growth of the global economy and many small and medium sized enterprises that are coming up in this century has led to the challenges in the management of resources and hence the need for the internal control systems (Amudo and Inanga, 2010). This internal control system has to be examined critically through constant evaluation and monitoring to ascertain whether they are operating as per the goals, procedures and policies that have been set in place (Hayes *et al.* 2005). Price waterhouse Coopers, (PwC, 2011) defines internal control as system that encompasses methods, procedures and control competences that have been instituted by the management to ensure that procedures and activities progress as planned. Internal control entails procedures and systems consisting of various policies which are put in place to assist the management with adequate and reliable information that will help it achieve its goals and objectives (COSO, 2013). Fundamentally internal control systems will help in promoting efficiency, steadfastness and discipline among staff in the daily operation and execution of duties. This is paramount to prevent theft of the organisational assests and also ensure proper maintenance of records so as to promote adherence to policies and control mechanisms instituted in the organization. According to American Institute of Certified Public Accountants (AICPA), there are four major objectives of internal control which include; safeguarding assets, promoting operational efficiency, checking accuracy and reliability of data and encouraging adherence to the internal control policies and practices (Schmidgall, 2011).

It pointed out that many NGOs in Nairobi had the problem of controlling and managing cash and hence cash management was among the major internal factors for NGOs in

Nairobi (Michino, 2011). According to (COSO, 2013) the five internal control elements that should be instituted in an organization to act as a control measure for constant future reviews include; control of environment, control of activities, continuous monitoring and review system, periodic risk assessment processes and proper channels of communication flow within the organization. The anticipation is that when all these five control elements are embedded in the organization, then they are bound to control the costs of the organization as well as protect the organizational assets and resources. Hospitality industry in general would benefit if a good internal control system is in place (Stuart, 2012). Proper monitoring and a good internal control system, needs money, time and labour resources and this will help in bringing a positive impact to the company (Stuart, 2012). Organizations that do not invest properly in a good internal control system usually become subjects of internal control failures (Chambers, 2009). Due to increase in the pilferage cases, theft of assets and loss of money in many hospitality firms, like hotels, an effective internal control system has been poised to be the remedy for such cases (Verdina, 2011).

1.1 Statement of the Problem

Properly instituted internal control measures and cost reduction mechanisms put in a hotel establishment will in the long run help the hotel organization achieve its financial obligations (Coltman, 2015). The resource in use in many hotel establishments are scarce, hence calling for the management of these hotel establishments to devise proper mechanisms of resource utilization so as to realize the projected hotel targets (Coltman, 2015). Recent studies have indicated that many hotels are grappling with the issue of cost control and has become a big problem since it has led to overspending hence loss of revenue for the hotels (Edvardson, 2010). Consequently, majority of the staff have very little knowledge on internal control processes and procedures since many hotels have not intensified on training of their staff on internal control practices (Allen, 2010).

This was quite evident since the lower cadre staff believed that the responsibility of internal controls in the hotel establishment was squarely for the top level management and not them. Limited studies have been done on the aspect of internal control and cost control in food and beverage department, but none has been done in the housekeeping department of hotels (Allen, 2010). Despite the fact that part of these difficulties are from external environment which affect the way they work, changes in product levels, divergent cultures and advancement in technological changes, proper internal control system still plays a critical role in the management of these resources (Karamat, 2014). Many hotel establishments have not established an elaborate internal control measures and therefore there is no proper separation and segregation of duties among staff. In addition to that, the monitoring activities used are mostly informal (Anduuru, 2012).

According to (Allen, 2010) the security of most of the assets and other supplies used in the housekeeping department is ineffective, unsecured ways of purchases, ineffective receiving and issuing methods of the housekeeping consumables and other goods which mostly perpetuates theft cases (Allen, 2010). When a proper internal control system is in place with a good control environment, then it can help the management to identify significant variances from expectations of internal controls. The anomalies noted in terms of the control system will warrant for a suitable corrective action in the system (Wamae, 2005). The study therefore sought to determine if there was a relationship between the

internal control systems and the cost reduction of the housekeeping department of the selected hotels.

1.2 Research Objectives

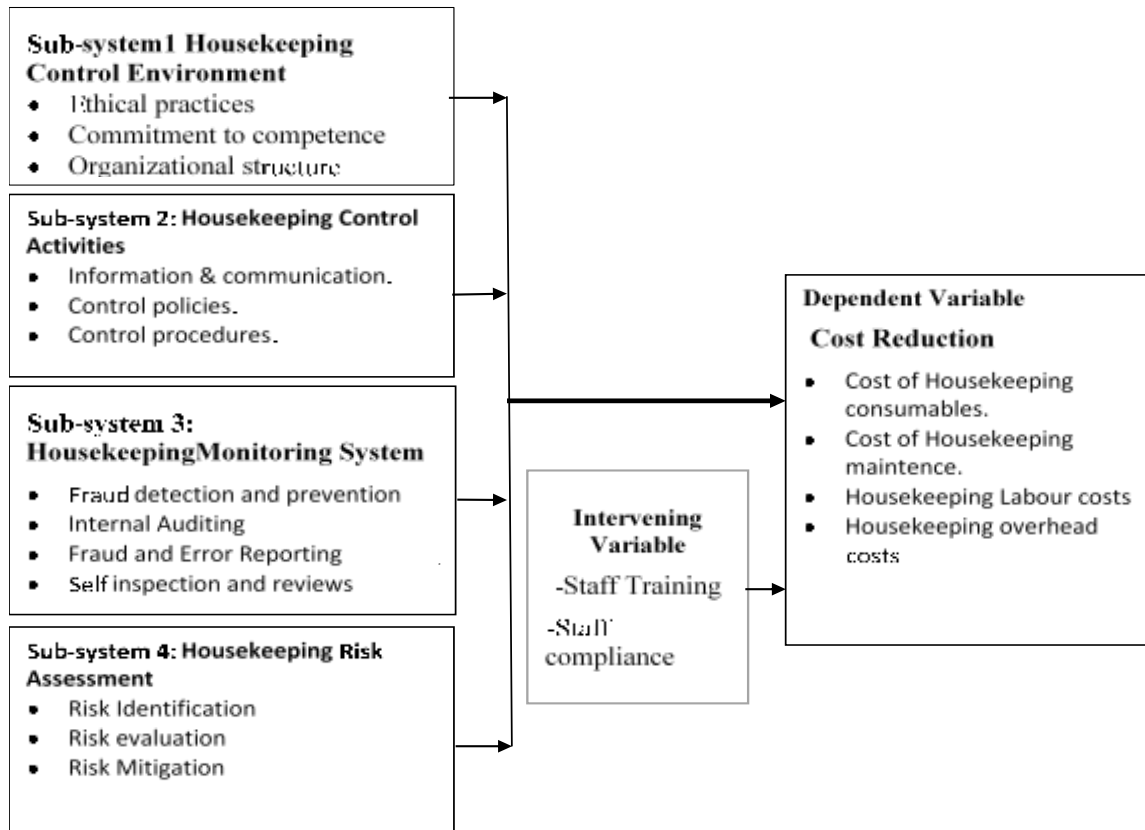
- i. To establish the influence of housekeeping control environment on cost reduction in 3-5-star hotels.
- ii. To examine the influence of housekeeping control activities on cost reduction in 3-5-star hotels.
- iii. To determine the influence of housekeeping monitoring system on cost reduction in 3-5-star hotels.
- iv. To assess the influence of housekeeping risk assessment on cost reduction in 3-5-star hotels.
- v. To determine the influence of internal control measures on cost reduction of 3-5 star hotels.

1.3 Conceptual Framework

The conceptual framework is presented in Figure 1

Independent Variables

Figure 1: Conceptual Framework



2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Systems theory

The study was guided by systems theory which views the whole organization as a system that is comprised of sub-systems which are all inter related and work in coordination. This is a multi-disciplinary theory that examines and studies systems as a total entity of the organization. This theory was founded by William Ross Ashby, Ludwig von Bertalanffy and others between 1940s to 1970s. The theory largely borrowed from the principles of Organizational behavior, management and economics (Weinberg, 1975). Bertalanffy defines a system as a group of many elements which are together and are interacting. Every system or a sub-system is thought to have a boundary where it operates from. It is the boundary of a system that divides all the components of the system (Shen *et al* 2009). The organization as a whole equivalent to the units and the sub-units (departments and sections) which all must work together so as to realize the goal of the organisation (Shen *et al* 2009). The internal control of the organization deals with all the areas and sections of the organization. Additionally, it helps in controlling and organizing the entire organization. The internal control system of an organization should also factor in the objectives of the organization so as to make it more effective (Vaclavas and Giriunas, 2012). Controlling and safeguarding the inventories of the organization requires the effort of every section of the organization for it to be efficient. Fundamentally from a global perspective, many researchers agree organisations generally gain adopting a systems perspective in all its activities (Atwater *et al*, 2008; Linden *et al*, 2007).

2.1.2 Institutional Theory

Organizations are social assemblies that directs and controls all the units towards maintaining the traditions and culture of the organization to sustainability. The components of institutions include cultural diversity and regulative features that, collectively with related resources and activities, provide steadiness and meaning to social life. These institutional cultures are passed by various institutional management styles that incorporates all the facets of organizational life. These institutional management styles embraces the social aspects, cultural aspects as well as the economic aspects that can fully be integrated towards the common goal of the organizational culture (Adebajo *et al* 2013). Institutional theory proposes that embracing of organization culture as well as traditions is an institutional process that are related to the effect of three forces of coercion, mimetic and normative. These forces inspire administrations to assume similar tactical actions to management of institutions thereby leading to administrative homogeneity (Adebajo *et al* 2013).

2.1.3 Stakeholder Theory

The theory was coined by Freeman, (1984) it classifies and copies the assemblies which are stakeholders of an establishment. It is a theory that lays emphasis in running of organisations and professional etiquette that reports on ethics, morals and principles of organizational management. According to (Donaldson and Preston 2005) this theory has numerous separate aspects that are equally supportive, descriptive and instrumental in running of the organisation. The descriptive method is used to expound and explain the features and performances of organisations, including how they are managed, how the

managers perceive and comprehend management, the level and nature of the organization and the style of management adopted. The experimental data generated is then used to recognize the networks that are there between the stakeholders and the managers in realization and promotion of the organization goals. It also provides the guidelines for the management approach to be adopted.

2.2 Empirical Literature

Inusah *et al.* (2015) point out that housekeeping control environment includes the following aspects of management; administration's strategy and operational style, integrity and ethical standards, delegation of responsibilities, human resource practices and procedures like training, performance appraisals and evaluation (Magara, 2013). Housekeeping control environment pushes the organization by helping in setting pace and influencing on staff awareness to internal control practices. Additionally, it is the basis for all the other components of internal controls. It is the consciousness of the hotel to do their activities and tasks as per the laid down control procedures (Ntongo, 2012). According to (Kamau, 2014) housekeeping control environment actions that an organization can implement include; acquiring an accounting and revenue control system that will be key in the budgeting process and controlling cash for the department, housekeeping management's resilience and dedication to the execution of the internal control system fully, skillfully monitoring effecting of internal control systems in the hotel at large, response of communication clearly passed by the housekeeping management to the junior staff about the operation of the internal control system and having contingency plans and measures to correct the failures in the control system in the department.

According to (Whittington and Pany, 2010) the housekeeping control activities are guidelines, procedures and policies that assists the housekeeping management in discharging the commands and also exercise some level of authority to ensure compliance with the internal control guidelines. Housekeeping controls activities in an a hotel set up basically comprise of the following; proper documentation of all the transactions and expenditures of the department. This is key for reconciliation of the said documents to ascertain whether costs were minimized as per the control guidelines of the department. It a also entails proper control and safeguarding of the departmental assets and facilities to minimize theft cases and also for checking on the inventory of the department.

Housekeeping Monitoring system is done through internal audits to help the staff of the housekeeping department in the proper discharge of their responsibilities. It's also an independent self-inspection duty done within the hotel to test on the systems functionality as well as finding out how it addresses the internal control challenges (Stipanuk, 2016). This is key in measuring how effective the system is in meeting the daily operations of the department (Stipanuk, 2016). An inclusive system of internal control therefore depends on a comprehensive and periodic examination of the nature and degree of the risks to which the department is likely to experience in future. Regardless of having four forms of responses to risk management which have to be deliberated upon like; transfer, tolerance, treatment and termination (Ntongo, 2012), the most convenient control mechanisms can be either preventive in nature or detective in nature. The housekeeping risk assessment parameters include; having structures in place to identify and respond to any changes that

could bring dramatic effect on the operations of the housekeeping department; creating internal controls for approval results regarding expenditure and budgeting principles, improving on procedures, methods and processes of operations in the department. Overhead costs for the housekeeping department are vital since they enhance the sustainability of the hotel establishment. These are the major costs that hotel establishment will always incur and it is the responsibility of the management to bring them to manageable levels so that the hotel can break even (Scott, 2013). Such costs include the following; the cost of water usage and consumption, the cost of power consumption, costs of the drainage system in the rooms, costs of fixing internet facilities in the rooms and other administrative costs like printing and stationaries costs (Scott, 2013).

3.0 RESEARCH METHODOLOGY

Research design is a comprehensive step by step plan that clearly indicates and shows how the research would be carried out (Kothari, 2004). The study used a descriptive survey design and the choice of the design was due to its ability to obtain information from broader samples of the population, similar features that would be key in facilitating the entire study. The qualitative technique was used to collect information on the function of internal control in hotels and the data was analyzed qualitatively based on thematic analysis through triangulation. The target population was 1380 middle and senior level staff in all the forty-eight (48) classified hotels comprising of 3-5-star hotels in Nairobi County. This population yielded a sample size of 300 respondents. Questionnaires and interview schedules were used to collect data.

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Descriptive Statistics

4.1.1 Housekeeping Control Environment

Table 1 shows the descriptive statistics of the Housekeeping environment after the analysis;

Table 1: Descriptive Statistics of the Housekeeping Environment

Activity	Mean	SD	CV
The housekeeping department has an auditor who verifies the spending of the department.	3.79	0.95	25.01%
Internal management of the control system exists in the department	3.59	0.97	34.66%
Inventory distribution control system exist in the department.	3.95	1.10	27.90%
The housekeeping management provides feedback to the junior officers about the operation of the system in the department	3.66	1.51	41.12%
High Ethical values are upheld in all management decisions in the department	3.78	1.07	25.11%
The Management of the Housekeeping department acts with a great degree of integrity in execution of their roles	3.66	1.18	32.24%
Average	3.61	1.04	31.46%

The findings presented in Table 1 revealed that majority of the respondents indicated that; The housekeeping department had an auditor who verifies the spending of the department (M=3.79, CV=25.01%), After the analysis, two of the variables produced high mean scores and low standard deviations which signify that most observations from the respondents were clustered around the means in that almost all the responses were in the category of strongly agree and agree columns. Additionally, the findings also extensively revealed that internal management of the control system existed in the department. (M=3.59, CV=34.66%). The finding also clearly revealed inventory distribution control system existed in the department. This variable yielded a high mean score of (M=3.95, CV=27.90%). Another variable on providing feedback to the junior staff in the housekeeping was also analysed. The finding revealed that communication is key and was paramount in ensuring that proper internal control measures are realized. The high mean scores generated from the finding indicated that the respondents were in agreement that the housekeeping management provided feedback to the junior officers about the operation of the system in the department. This finding generated a mean of (M=3.66, CV=41.12%). Ethical values were upheld in all management decisions in the department (M=3.78, CV=25.11%). The study found out that this can best be achieved through frequent internal audits and self assessments. The Management of the Housekeeping department acted with a great degree of integrity in execution of their roles (M=3.66, CV=32.24%). Housekeeping Manager No.1 stated that; *“The hotel must generally have a good internal control system which should cascade downwards to every department. We in housekeeping have endeavoured in having an elaborate control mechanism which have really helped in sealing the loopholes of theft and fraud. Indeed, once the control systems were put in place, they have really helped in controlling the assets of the department due to accountability.”*

4.1.2 Housekeeping Control Activities

Table 2 depicts the descriptive analysis of the housekeeping control activities.

Table 2: Descriptive Statistics of Housekeeping Control Activities

Activity	Mean	SD	CV
The department has clear separation of roles and duties	3.95	1.05	26.63%
Corrective action is taken to address internal control weaknesses in the department	3.70	1.31	35.46%
Staff are often trained on internal control practices in the department	3.91	1.03	26.39%
Re-cycling and re-use of old linen for other purposes is used as a cost cutting measure in the department.	4.38	0.87	19.75%
Documentation of key internal control guidelines is available in the department.	3.75	1.23	34.44%
The department’s spending is guided by the master budget of the department.	4.21	1.35	21.95%
The department has a security system that identifies and safeguard usage departmental assets	3.87	0.94	24.16%
Average	3.78	1.11	0.31

The analysis of the variables as illustrated in Table 2 showed that majority of the respondents were in agreement that; The department had clear separation of roles and duties (M=3.95, CV=26.63%). The study therefore acknowledged the role of internal audit department and separation and segregation of tasks to establish internal controls which have an effect on the cost reduction of organizations. Corrective action was taken to address internal control weaknesses in the department (M=3.70, CV=35.46%), This is another variable that was analyzed and the finding revealed that corrective action against the inconsistencies in the internal control system is key so as to attain the internal control objective. The analysis yielded high mean value which shows that many respondents views and responses were centered along the strong values. Staff were often trained on internal control practices in the department (M=3.91, CV=26.39%). The finding further revealed that training of staff is key and it significantly contributes to the internal control measures instituted in place in the establishment. The high mean values generated after the analysis shows and proves that majority of the respondents agreed that training is a key internal control factor. Documentation of key internal control guidelines were available in the department (M=4.31, CV=21.95%). The study also revealed that deception perpetration and of theft of revenue and assets in an organization are as consequence of poor internal control system. Internal control systems are placed to sense and detect frauds and losses of income. The department's spending was guided by the master budget of the department (M=3.87, CV=24.16%). The department had security system that identified and safeguard usage of departmental assets (M=3.95, CV=28.07%). The overall mean of the responses was 3.78 which indicates that majority of the respondents agreed with the statements on housekeeping control activities. The standard deviation of 1.11 however indicates that the responses were varied.

Internal management control systems are important in ensuring that the objectives of the organization as a whole are realized. This finding resonates well with a statement made by one of the managers of the hotels studied regarding the budget of the department. Housekeeping Manager No.2 stated that; *"The operations of the entire department are run from a budget. The organization usually comes up with a master budget in terms of money allocation for the whole hotel. It is from the master budget that the departmental budget allocations are made. All purchases made from the department should be as planned and have a reflection of the budget"* This finding therefore shows that many hotels in Nairobi County know the value of a budget and they use it as a guide to the purchases. Consequently, (Karagiorgos et al, 2009) conducted a study in Greek hotels to ascertain and evaluate the impact of internal audits on the effectiveness of the hotels. The finding of the study revealed that management appreciates the major role that internal auditing plays in business environments.

4.1.3 Housekeeping monitoring System

Table 3 presents the descriptive statistics of housekeeping monitoring system

Table 3: Descriptive Statistics of Housekeeping monitoring System

Activity	Mean	SD	CV
There is ongoing monitoring and continuous review of system processes in the department.	4.09	1.12	27.29%
Internal reviews and implementation of internal controls in units are conducted periodically in the department.	4.11	0.97	23.50%
Monitoring has helped in assessing the quality of the internal control measures in the department.	3.68	1.08	29.38%
The Housekeeping management has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports.	3.95	1.07	27.06%
Staff and assets schedule reports are documented on regular	3.78	1.14	30.15%
Average	3.96	1.06	26.81%

The analysis of the variable as indicated in Table 3 showed that majority of the respondents were in agreement that; There were ongoing monitoring and continuous review of system processes in the department (M=4.09, CV=27.29%). Internal reviews and implementation of internal controls in units were conducted periodically in the department (M=4.11, CV=23.50%). The finding also revealed that internal reviews of implementation of the internal controls are done periodically. Monitoring had helped in assessing the quality of the internal control measures in the department (M=3.68, CV=29.38%). The Housekeeping management had assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports (M=3.95, CV=27.06%). The variable yielded high mean score of (M= 4.03, SD=0.85) and low standard deviation implying that internal auditing is a key factor facilitating the cost reduction mechanisms of the establishment. The overall mean of the responses was 3.96 which indicates that majority of the respondents agreed with the statements on housekeeping monitoring system as a key cost reduction factor. The standard deviation of 1.06 however indicates that the responses were varied. In conclusion, they found out that the major indicator that promotes good internal control for the SMEs is the frequency of effective monitoring and evaluation of the system. These sentiments echoed well with the feedback that I got from one of the housekeeping managers. Housekeeping Manager No.3 stated that; “Systems can sometimes fail or even break down. Due to this, we always conduct our monitoring and evaluation twice a year after every six months.” He added, “it is also the responsibility of every staff to report any incidences of system failure or breakdown whenever they encounter it.”

4.1.4 Housekeeping Risk Assessment

Table 4 illustrates the descriptive statistics of housekeeping risk assessment

Table 4: Descriptive Statistics of Housekeeping Risk Assessment

Activity	Mean	SD	CV
Risk identification and assessment programs are done periodically in the department.	4.02	0.86	21.47%
The Housekeeping management identifies risks that affect achievement of the departmental objectives	3.71	1.06	28.49%
The Housekeeping management has a criteria for ascertainment of which fraud-related risks to the organization are most critical	3.86	0.96	24.92%
The Housekeeping management has put in place mechanisms for mitigation of critical risks that may result from fraud	3.91	0.96	24.53%
Average	3.88	0.96	24.85%

The results of the analysis showed in Table 4 depicted that majority of the respondents agreed that; Risk identification and assessment programs were done periodically in the department (M=4.02, CV=21.47%). The Housekeeping management identified risks that affected achievement of the departmental objectives (M=3.71, CV=28.49%). This is the second variable that was analysed and the finding produced relatively high scores of the mean, indicating consensus that majority of the respondents agreed that management identified the risks that affected the achievements of the objectives in the organization and this acted as an important internal control tool. The Housekeeping management had a criteria for ascertainment of which fraud-related risks to the organization were most critical (M=3.86, CV=24.92%). The study found that Internal control plan influences staff attitude towards fraud such that a strong internal control measure is a deterrence to staff fraud while a weak one exposes the system to fraud and creates a chance for staff to engage in fraud activities (Ewa & Udoayang, 2012).The Housekeeping management had put in place mechanisms for mitigation of critical risks that resulted from fraud (M=3.91, CV=24.53%). The overall mean of the responses was 3.88 which indicates that majority of the respondents agreed with the statements on housekeeping risk assessment and financial performance. The standard deviation of 0.96 however indicates that the responses were varied.

4.1.5 Housekeeping Costs

Table 5 shows the descriptive statistics of the housekeeping costs

Table 5: Descriptive Statistics of Housekeeping Costs

Activity	Mean	SD	CV
The cost of Housekeeping Consumables	4.21	0.82	19.60%
The cost of Housekeeping Maintenance	4.48	0.89	19.96%
The labour cost of Housekeeping Department	4.27	0.86	20.21%
The overhead costs of the Housekeeping department	4.27	1.10	25.85%
Average	4.28	0.94	22.04%

The analysis of the variables as indicated in Table 5 noted that majority of the respondents were in agreement that; The cost of Housekeeping consumables had been moderately low

(M=4.21, CV=19.60%). The cost of Housekeeping maintenance had been moderately low (M=4.48, CV=19.96%). The analysis of the variable significantly indicated that when proper internal controls are instituted in place, then they significantly help in reducing the cost of housekeeping maintenance in the department (Branson, 2008). The labour cost of Housekeeping department had been moderately low (M=4.27, CV=20.21%). The analysis of this variable also proved that proper internal control mechanisms is key in minimizing the labour costs of the hotel. i.e the costs of staffing competent and qualified staff in the housekeeping department in hotels. Consequently the overhead costs of the department had moderately been low (M=4.27, CV=25.85%). The overhead costs significantly reduced and this was evident from the high mean value that the analysis yielded. This finding there indicates that when proper internal control measures and systems are instituted, then they have a direct bearing on the overhead costs of the housekeeping department in hotels. A study done by (Muraleetharan, 2010) on internal control and its implications on. The overall mean of the responses was 4.28 which indicates that majority of the respondents agreed with the statements on cost reduction. The standard deviation of 0.94 however indicates that the responses were varied. Costs are fundamental in hotel industry and are key function of the housekeeping department. It was key to conduct the study in the rooms division since it is the department that contributes three quarters of the total revenue of the hotel hence the need for proper internal control measures with elaborate cost cutting measures so as to attain the goals of the target revenues (Collins, 2012).

4.2 Correlational Analysis of the variables

A correlation analysis of the variables was carried out to find out the association among the variables between housekeeping control environment, housekeeping control activities, housekeeping monitoring system, housekeeping risk assessment and cost reduction of the housekeeping department. The correlation coefficients matrix is presented in Table 6

Table 6: Correlation Coefficients Matrix

		Cost Reduction	Control Environment	Control Activities	Monitoring Systems	Risk Assessments
Cost Reduction	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Control Environment	Pearson Correlation	.595**	1.000			
	Sig. (2-tailed)	0.000				
Control Activities	Pearson Correlation	.699**	0.069	1.000		
	Sig. (2-tailed)	0.000	0.263			
Monitoring Systems	Pearson Correlation	.690**	0.098	.441**	1.000	
	Sig. (2-tailed)	0.000	0.109	0.000		
Risk Assessments	Pearson Correlation	.679**	.213**	-.152*	.212**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

Correlation results in Table 6 show that association between control environment and cost reduction was positive and statistically significant ($r=.595$, $p<0.05$). The association between control activities and cost reduction was positive and significant ($r= 0.699$, $p<0.05$), the association between monitoring system and cost reduction was positive and significant. ($r= 0.690$, $p<0.05$). There was a positive and significant correlation between Risk assessment and cost reduction ($r =.679$, $p<0.05$). All the correlation coefficients presented in the Table 6 fall below 0.7. Since the correlations between the predictor variables and firm performance were not very high ($r<0.07$), the variables were suitable for further analysis using multiple regression.

4.3 Regression Analysis

4.3.1 Housekeeping Control Environment

Ordinary least squares regression was carried out to determine the relationship between housekeeping control environment and cost reduction. The regression model $Y= \beta_0 + \beta_1X$ was thus fitted from the data where X represented housekeeping control environment and Y denoted cost reduction. From Table 7, the value of R and R^2 were 0.425 and 0.181 respectively. The R value of 0.425 showed that there was a positive linear relationship housekeeping control environment and cost reduction. The R^2 value indicated that the explanatory power of the independent variable was 0.181. This implied that 18.1% of the variation in cost reduction is explained by housekeeping control environment

Table 7: Summary of Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
.425	0.181	0.179	0.31349

Predictors: (Constant), Control Environment

An ANOVA was carried out and the results from Table 8 showed the F statistic had a p value of 0.000. Since the p value of the F- statistic was less than 0.05 it showed that the coefficient in the equation fitted was not equal to zero implying a good fit.

This implied that considering the simple regression fitted, housekeeping control environment had an effect on cost reduction.

Table 8: Analysis of Variance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.484	1	2.484	25.278	.000
Residual	26.142	266	0.098		
Total	28.626	267			

The results of coefficients to the model $Y= 3.055 + 0.303 X$ estimates were significant at the 0.05 level of significance as shown on Table 9. This was because the significance was 0.001, which were all less than 0.05. The constant term implied that at zero housekeeping control environment, the cost reduction performs at 3.055 units; improvement in housekeeping control environment by one unit increases the cost reduction by 0.303 measures.

Table 9: Beta Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.055	0.272		11.231	0.000
Control Environment	0.303	0.06	0.295	5.028	0.000

Dependent Variable: Cost Reduction

Hypothesis Testing

Hypothesis testing was done using simple linear regression as indicated in Table 9. The criteria that was used for acceptance and rejection of the test findings were largely guided by the fact that when the p value was more than 0.05, then the test for the null hypothesis was accepted but a p value of less than 0.05 implied that the null hypothesis was to be rejected. As per the objectives of the study and the reviewed literature, the null hypothesis were subjected for testing and yielded the results as below;

H₀₁: There is no significant relationship between housekeeping control environment and cost reduction in housekeeping department of 3-5 star hotels in Nairobi County

Results in Table 9 above show that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between housekeeping control environment and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. This study was consistent with that of one done by (Karagiorgos *et al*, 2009) who conducted a study in Greek hotels to ascertain and evaluate the impact of internal audits on the effectiveness of the hotels. The finding of the study revealed that management recognizes the and appreciates the major role that internal auditing plays in business environments. Through his descriptive analysis many respondents agreed that internal auditing plays a key role in the management of the hotels. The study finding concluded that internal audit functions is key in enhancing proper internal control mechanisms within the hotel establishment.

According to (Kamau, 2014) control environment activities that an organization can adopt include; acquiring an accounting and revenue control system, commitment of management to the operation of the system, carefully monitoring execution of internal control systems in organizations, feedback of communication clearly relied by management to the junior staff about the operation of the system and having suitable measures to correct the failures in the system. Additionally, the management of the organization should act with a high degree of integrity in implementation of their roles, maintain ethical values in all management pronouncements, create an objective, self-governing and a vibrant audit committee. A study conducted by (Douglas *et al*, 2014) on the impact of internal control systems and their influence on cost reduction in small business enterprises in Kisumu Kenya, showed that when a good internal control environment is instituted in an organization then it has a direct relationship to the profitability of the establishment.

4.3.2 Housekeeping Control Activities

Ordinary least squares regression was carried out to determine the relationship between housekeeping control activities and cost reduction. The regression model $Y = \beta_0 + \beta_1 X$ was thus fitted from the data where X represented housekeeping control activities and Y denoted cost reduction. From Table 10, the value of R and R^2 were 0.599 and 0.356 respectively. The R value of 0.599 showed that there was a positive linear relationship housekeeping control activities and cost reduction. The R^2 value indicated that the explanatory power of the independent variables was 0.356. This means that 35.6% of the variation in cost reduction is explained by housekeeping control activities.

Table 10: Summary of Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
.599	0.359	0.356	0.26272

a Predictors: (Constant), Control Activities

An ANOVA was carried out and the results from Table 11 showed the F statistic that had a P value of 0.000. Since the p value of the F- statistic was less than 0.05 it showed that the coefficient in the equation fitted was not equal to zero implying a good fit. This implied that considering the simple regression fitted, housekeeping control activities had an effect on cost reduction.

Table 11: Analysis of Variance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	10.266	1	10.266	148.735	.000
Residual	18.36	266	0.069		
Total	28.626	267			

The results of coefficients to the model $Y = 2.833 + 0.470 X$ estimates were significant at the 0.05 level of significance as shown on Table 12. This was because the significance was 0.001, which were all less than 0.05. The constant term implied that at zero housekeeping control activities, the cost reduction performs at 2.833 units; improvement in housekeeping control activities by one unit increases the cost reduction by 0.470 measures.

Table 12: Beta Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.833	0.131		21.608	0.000
Control Activities	0.470	0.039	0.599	12.196	0.000

Dependent Variable: cost reduction

Hypothesis Testing

Hypothesis testing was done using simple linear regression as indicated in Table 4.12 The criteria that was used for acceptance and rejection of the test findings were largely guided by the fact that when the p value was more than 0.05, then the test for the null hypothesis was accepted but a p value of less than 0.05 implied that the null hypothesis was to be

rejected. As per the objectives of the study and the reviewed literature, the null hypothesis were subjected for testing and yielded the results as below;

H₀₁: There is no significant relationship between housekeeping control activities and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County

Results in Table 12 above show that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between housekeeping control activities and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. This study is consistent with that of (Stuart, 2012). . (Beck *et al*, 2011) confirms that housekeeping department requires competent and trained personnel for them to perform efficiently in implementing the internal control practices and systems. This finding is similar to the one done by (Ingram, 2012) on safeguarding and protecting inventories in medium sized enterprises. That study confirms that proper mechanisms of documentations instituted in place plays a significant role in promoting internal control effectiveness.

4.3.3 Housekeeping Monitoring System

Ordinary least squares regression was carried out to determine the relationship between housekeeping monitoring system and cost reduction. The regression model $Y = \beta_0 + \beta_1 X$ was thus fitted from the data where X represented housekeeping monitoring system and Y denoted cost reduction. From Table 13, the value of R and R² were 0.590 and 0.348 respectively. The R value of 0.590 showed that there was a positive linear relationship housekeeping monitoring system and cost reduction. The R² value indicated that the explanatory power of the independent variables was 0.348. This means that 34.8% of the variation in cost reduction is explained by housekeeping monitoring system.

Table 13: Summary of Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
.590	0.348	0.346	0.26489

Predictors: (Constant), Monitoring Systems

An ANOVA was carried out and the results from Table 14 showed the F statistic that had a p value of 0.000. Since the p value of the F- statistic was less than 0.05 it showed that the coefficient in the equation fitted was not equal to zero implying a good fit. This implied that considering the simple regression fitted, housekeeping monitoring system had an effect on cost reduction.

Table 14: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.962	1	9.962	141.967	.000
Residual	18.665	266	0.07		
Total	28.626	267			

The results of coefficients to the model $Y = -0.013 + 1.086 X$ estimates were significant at the 0.05 level of significance as shown on Table 15. This was because the significance was 0.000, which were all less than 0.05. The constant term implied that at zero housekeeping monitoring system, the cost reduction performs at -0.013 units; improvement in housekeeping monitoring system by one unit increases the cost reduction by 1.086 measures.

Table 15: Beta Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.013	0.372		-0.036	0.972
Monitoring Systems	1.086	0.091	0.59	11.915	0.000

Dependent Variable: cost reduction

Hypothesis Testing

Hypothesis testing was done using simple linear regression as indicated in Table 4.15. The criteria that was used for acceptance and rejection of the test findings were largely guided by the fact that when the p value was more than 0.05, then the test for the null hypothesis was accepted but a p value of less than 0.05 implied that the null hypothesis was to be rejected. As per the objectives of the study and the reviewed literature, the null hypothesis were subjected for testing and yielded the results as below;

H₀₁: There is no significant relationship between housekeeping monitoring system and cost reduction in housekeeping department of 3-5 star hotels in Nairobi County.

Results in Table 4.15 above show that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between monitoring system and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. This study is consistent with that of (Bukonya, 2012), continuous review of internal systems is paramount so as to ensure effectiveness of the internal control system. Similarly, a study done in Sweden by (Teketel *et al*, 2009) on effectiveness of internal controls in small and medium sized enterprises revealed that regular continuous review of the internal control systems is necessary so as to identify the weaknesses and the problems of the system. A study conducted by (Kamau, 2014) on the consequence of internal controls on cost reduction of manufacturing firms in Kenya revealed that, manufacturing firms that had capitalized on elaborate internal control systems had more enhanced cost reduction as opposed to those firms that had a weak internal control system.

4.3.4 Housekeeping Risk Assessment

Ordinary least squares regression was carried out to determine the relationship between housekeeping risk assessment and cost reduction. The regression model $Y = \beta_0 + \beta_1 X$ was thus fitted from the data where X represented housekeeping risk assessment and Y denoted cost reduction. From Table 16, the value of R and R² were 0.570 and 0.335 respectively. The R value of 0.579 showed that there was a positive linear relationship housekeeping risk assessment and cost reduction. The R² value indicated that the explanatory power of the independent variables was 0.335. This means that 33.5% of the variation in cost reduction is explained by housekeeping risk assessment

Table 16: Summary of Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
.579	0.335	0.332	0.26753

Predictors: (Constant), Risk Assessments

An ANOVA was carried out and the results from Table 17 showed the F statistic that had a p value of 0.000. Since the p value of the F- statistic was less than 0.05 it showed that the coefficient in the equation fitted was not equal to zero implying a good fit. This implied that considering the simple regression fitted, housekeeping risk assessment had an effect on cost reduction.

Table 17: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.588	1	9.588	133.96	.000
Residual	19.038	266	0.072		
Total	28.626	267			

The results of coefficients to the model $Y = 3.712 + 0.057 X$ estimates were significant at the 0.05 level of significance as shown on Table 18. This was because the significance was 0.000, which were all less than 0.05. The constant term implied that at zero housekeeping risk assessment, the cost reduction performs at 3.712 units; improvement in housekeeping risk assessment by one unit increases the cost reduction by 0.057 measures.

Table 18: Beta Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.712	0.063		58.667	0.000
Risk Assessments	0.057	0.005	0.579	11.574	0.000

Dependent Variable: cost reduction

Hypothesis Testing

Hypothesis testing was done using simple linear regression as indicated in Table 4.18. The criteria that was used for acceptance and rejection of the test findings were largely guided by the fact that when the p value was more than 0.05, then the test for the null hypothesis was accepted but a p value of less than 0.05 implied that the null hypothesis was to be rejected. As per the objectives of the study and the reviewed literature, the null hypothesis were subjected for testing and yielded the results as below;

H₀₁: There is no significant relationship between housekeeping risk assessment and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County

Results in Table 4.18 above show that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between monitoring system and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. The world has in the recent past experienced all manner of frauds notwithstanding many procedures, processes and regulations put in place by various regulatory agencies and governments. Business failures have a financial implication which is tragic to the economy of states and governments (Ewa et al., 2012). Past study done by (Emasu, 2007) indicated that organizations with improper accounting records and which do not ensure staff culpability and risk mitigation risk are prone to poor cost reduction mechanisms. A study in Ghana, by Inusah and Abdulai (2015) revealed that the internal control systems that were put in place at Lands Commission of Ghana helped a great deal in preventing fraud and theft cases in the Commission. This study is consistent with that of Kenya statistical report, 2011 on fraud on financial services in Eastern Africa, the report indicates that fraud is one of the risks affecting financial services. Therefore, frequent internal assessments and audits are necessary to help minimize this anomaly (G.o.k, 2011). Additionally, (Collins, 2012) asserts that continuous operational inventory risk assessments and audits should be conducted periodically within the department since they help in promoting internal control efficiency and in the end reduce on costs of the department.

4.3.5 Joint Regression Analysis

A regression model was run to determine the relationship between independent and dependent variables. The results in Table 19 present the fitness of model used in explaining the relationship between housekeeping control environment, housekeeping control activities, housekeeping monitoring, housekeeping risk assessment and cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. The independent variables (housekeeping control environment, housekeeping control activities, housekeeping monitoring and housekeeping risk assessment) were found to be satisfactory variables in determining the cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. This was supported by the coefficient of determination also known as the R-square of 0.853. This means that housekeeping control environment, housekeeping control activities, housekeeping monitoring and housekeeping risk assessment explain 85.3% of the variations in the dependent variable which is cost reduction in housekeeping department of 3-5-star hotels in Nairobi County. These results further mean that the model applied to link the relationship of the variables was satisfactory.

Table 19: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
.924a	0.853	0.851	0.12629
Predictors: (Constant), Risk Assessments, Control Activities, Control Environment, Monitoring Systems			

Table 20 provides the results on the analysis of the variance (ANOVA). The results indicate F statistic of 382.979 which was greater than f critical implying that the model was statistically significant. Further, the results imply that the independent variables, housekeeping control environment, housekeeping control activities, housekeeping

monitoring and housekeeping risk assessment, were good predictors of cost reduction in housekeeping department of 3-5 star hotels in Nairobi County. This was also supported by the reported $p=0.00$ which was less than the conventional probability of 0.05 significance level.

Table 20: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.432	4	6.108	382.979	.000
Residual	4.194	263	0.016		
Total	28.626	267			

Regression of coefficients results in table 20 shows that housekeeping control environment positively and significantly influence cost reduction in housekeeping department of 3-5 star hotels in Nairobi County ($\beta=0.109$, $p=0.000$). The table indicates that housekeeping control activities positively and significantly influence cost reduction in housekeeping department of 3-5 star hotels in Nairobi County ($\beta=0.473$, $p=0.000$). It was also established that housekeeping monitoring positively and significantly influences cost reduction in housekeeping department of 3-5 star hotels in Nairobi County ($\beta=0.340$, $p=0.000$). The table further indicates that housekeeping risk assessment positively and significantly influence cost reduction in housekeeping department of 3-5 star hotels in Nairobi County ($\beta=0.115$, $p=0.027$).

Table 21: Beta Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.202	0.204		0.989	0.323
Control Environment	0.109	0.025	0.105	4.343	0.000
Control Activities	0.473	0.022	0.603	21.914	0.000
Monitoring Systems	0.340	0.051	0.185	6.661	0.000
Risk Assessments	0.060	0.003	0.609	23.648	0.000

Dependent Variable: cost reduction

$$Y = 0.202 + 0.109X_1 + 0.473X_2 + 0.340X_3 + 0.060X_4$$

Where; Y= cost reduction; X_1 = Housekeeping Control Environment; X_2 = Housekeeping Control Activities; X_3 = Housekeeping Monitoring; X_4 = Housekeeping Risk Assessment

5.0 CONCLUSION

The study concluded that there is no significant variation in the application of internal control measures within the hotels in Nairobi County. These low standard deviations generated from the internal control variables indicate that the perception of the housekeeping staff about the internal control measures and mechanisms put in place in

individuals' hotels were generally similar. The study concluded that majority of the hotels within Nairobi County have endeavored in instituting some internal control measure in their departments and its helping to some extent in meeting the internal control objective. It is this that makes them to operate in almost a similar way in instituting the internal control measures in place so as to enable them meet their cost reduction obligations.

Majority of the hotels in Nairobi county can be considered to be extensively applying internal control measures in their daily departmental operations. The regression analysis of the study revealed that there is a significant relationship between internal control measures and the cost reduction of the housekeeping department. The study also revealed that many hotels within Nairobi County had a contingency plan in place to act as a backup in case of internal control failure. This is a good move in that it shows that many hotels in Nairobi Country have anticipated and accepted that sometimes there is system failure hence the need for the contingency plans. Contingency plans like continuous use of inventory checklist and availability of inventory database is key promoting internal control objective and were largely used by most of the hotels. This is the reason that calls for an internal control system to help prevent fraud safeguard loss assets and loss of money through effective cost cutting measures.

Additionally, the study concluded that frequent departmental audits are key in promoting internal control efficiency. This is then closely followed by the continuous and periodic review of the internal control system. Training of the staff on internal control practices and providing documentation of the internal control guideline are key elements that will help in promoting internal control efficiency. It can also be concluded that cost reduction of the housekeeping department is greatly influenced by the frequent internal audits that are done in the department. Auditing helps in promoting transparency in the department. The study concluded there is a correlation between internal control measures and cost control yielding a strong positive relationship between the above mentioned variables.

6.0 RECOMMENDATIONS FOR POLICY

The study recommended that hotels should come up with clear policies and guidelines on key aspects of internal control to be used as a benchmark for all organisations and enterprises. The hotel management should endeavor in building infrastructural capacity for proper internal control mechanisms with regard to cost control policies. The management should also ensure that proper review of the internal control and cost procedures are done periodically. The management should intensify training programs for all the employees for familiarization with the internal control practices.

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