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Influence of Governance Practices on Performance of County Governments in Kenya

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Abstract

The Kenyan government acknowledges that there has been poor performance in the public sector over the years, especially in the management of public resources, which has hindered the realization of sustainable economic growth. Governance presents the single biggest opportunity for operational efficiency in any organization; therefore, its adoption is paramount in public sector management. The study examined the influence of governance practices on the performance of county governments in Kenya. Specifically, the study sought to establish how internal controls, stakeholder participation, internal audit standards, and transparency influence the performance of county governments in Kenya. The study employed a descriptive research design. The target population was Heads of Departments in all Ministries, Chief Officers of all Ministries, and Members of the County Assembly. A structured questionnaire was used to collect data. Data gathered from the questionnaires administered was analyzed with the help of SPSS and Microsoft Excel. The study used multiple linear regression and correlation analysis to show the relationship between the variables. The study findings indicated that internal controls, stakeholder participation, internal audit standards and transparency have a positive and significant relationship with on performance of county governments' in Kenya. The entire null hypotheses was rejected. The study recommends that the County Government should encourage stakeholders to participate by incorporating their views in governance processes. A feedback mechanism should also be delivered where stakeholders are informed of the process of their participation and the key decisions that result from the participation. Further, the study recommends that there is need for the county government to come up with its calendar of events on its activities.

Keywords: *Internal Controls, Stakeholder Participation, Internal Audit Standards, Transparency, Performance & County Government.*

1.1 Introduction

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

Globally, governance practices have logically turned out to be critical in developed and developing nations worldwide (El-Bassiouny & El-Bassiouny, 2019). Governance practices are viewed as ethics and moral duty of instituions. A variety of Governance frameworks have been developed and adopted in different parts of the world. Robert (2014) argues that the governance of early U.S. corporations was superior to that of corporations because early corporations governed themselves like republics, replete with numerous checks and balances against fraud and against the usurpation of power by managers or by large shareholders (Pillai & Al-Malkawi, 2018; Boatright, 2017). In the regional perspective, governance practices in Africa became widely used in public organizations in the 2000s, owing to the practices advocated by the New Public Management (NPM) enthusiasts (Chigudu, 2018). The popularity of good governance practices in public institutions resulted from a growing realization that they need managers to run them and management boards to ensure that the institutions are run effectively and in the right direction (Agyemang, Gbettey, Gatsi, & Acquah, 2019). Governance practices have therefore become popular in Africa, because it is seen as a strategy for promoting good performance of institutions by preventing poor governance from taking root (Arayssi & Jizi, 2019).

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

Kenya’s major problem affecting good governance has been identified by the government as corruption which is seen as the single greatest obstacle to economic and social development in the country and has been justified by the new constitutional dispensation (Pitcher, 2018). It has been responsible for distorting the rule of law and weakening the institutional foundation on which proper governance and economic growth depends (Nduta, Shisia, Kamau & Asienga, 2017). Good governance is seen as an important factor not only in eradicating poverty but also in attracting investments anywhere and promote development. In agreement was Knoepfel (2017) who argued that good governance at the institutional level is the obvious starting point for international emerging markets investors. Minja (2018) asserted that unethical practices in organizations and at the political levels have been widely reported in the wake of many high-profile management and financial scandals all over the world. County Governments are devolved lower levels of government of Kenya established in 2013 in accordance with the 2010 Constitution of Kenya (Juma, Korir & Mulongo, 2019). The objectives of devolution as provided for in Articles 174 and 175 are to promote democracy and accountability in the exercise of power, fostering national unity by recognizing diversity, enhancing people's self-governance, enabling communities manage their own affairs, protecting and promoting interests and rights of minorities and the marginalized and ensuring equitable sharing of resources (Jerono & Kimutai, 2018). County Governments contribute to the attainment of Kenya's Vision 2030 overall objective of achieving a globally competitive and prosperous Country status. The county assembly is headed by a County Speaker who, by law, is not supposed to be a member of the assembly. On the other hand, the county executive is responsible for exercising executive power at the county level, implementing laws for the county's administration, and carrying out other executive functions of the county.

1.2 Problem Statement

Major strategic decisions concerning institutional resources allocation and utilization are the very investments basis that can result in sustainable performance and development (Ngumi, 2016). These strategic decisions regarding governance practices are inclusiveness, effective regulatory body and consensus orientation, and the extent of stakeholder's participation in the counties endeavours. Okiiya, Kisiangani and Oparanya (2015) posit that for a country to have the capacity to achieve sustainable prosperity there is need to have measures that will ensure public funds are well managed.

The County Governments are expected to play a major role in the development of the country through provision of public services. However, County governments in Kenya have been experiencing a myriad of problems including poor quality goods and services and inefficiency leading to waste of huge amounts of public resources (Jerono & Kimutai, 2018). Counties continue to experience increasing demands from its citizenry for provision of better services in a fair and transparent manner (Nduta, Shisia, Kamau & Asienga, 2017). This coupled with increased transfer of funds to devolved unit calls for accountability in use of public resources. According to Musau and Kirui (2018), performance was affected by governance, but their focus was on private instituions and public-owned corporations.

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

1.2 Research Objective

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

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

1.3 Research Hypotheses

The study tested the following research hypotheses;

Ho1: Internal controls has no significant effect on the performance of county governments in Kenya.

Ho2: Stakeholder participation has no significant effect on the influence the performance of county governments in Kenya.

Ho3: Internal audit standards has no significant effect on the on the performance of county governments in Kenya

Ho4: Transparency has no significant effect on the influence on the performance of county governments in Kenya.

2.1 Theoretical Review

2.1.1 Stakeholder Theory

Edward Freeman put the stakeholder theory forward in 1983. The theory is biased towards institutional management and business ethics that address moral issues in the management of firms (Hillman & Daniel, 2012). The stakeholder theory identifies and creates groups referred to as the stakeholders of an organization describing and recommending ways in which administrators can recognize and be guided by the interests of concerned groups. It caters for the internal and external stakeholders of the organization. Internal includes the employees, managers and owners of the organization, whereas the external stakeholders include society at large, government, creditors, stakeholders, suppliers and customers, trade associations and competitors. The theory defines the specific stakeholders examining the conditions under which managers treat the parties in today's dynamic organizational environment (Gregory, 2012). The major critique of this theory is the application of concepts borrowed from the political circumstances with regard to social contract and applying it to business ventures. Stakeholder theory is deemed to undermine the principles that establish and maintain market economy. It has succeeded in becoming famous beyond the business ethics fields (Jensen, 2013). The stakeholder theory currently is being pursued and uses strategic management to ensure that the strategies of the organization are achieved as per the planned strategies objectives (Klapper & Love, 2014). Stakeholder theory has succeeded in challenging the usual analysis frameworks such as management and human resource by ensuring that stakeholders' needs are at the heart of any move.

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

2.1.2 Agency Theory

Jensen and Meckling (1976) proposed the Agency theory. The theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. Accordingly, Barlie and Means (2010) posit that in order to harmonize the interests of the agent and the 13 principal, a comprehensive contract is written to address the interest of both the agent and the principal. They further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. This position is also supported by Coarse (2010) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work. He however, proposes that the principal suffers shirking which deprives him or her from benefiting from the work of the agent. The theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Coarse (2010) explains that moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of cash residual (Hunger & Wheelen, 2010). Firm owners assume that managers in a firm are agents guided by a principle inclined in the direction of maximization of stakeholders' wealth.

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

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

2.2 Empirical review

Ochoge (2011) conducted a study on internal controls and organizational performance: a case of Medipont industries limited sought to establish a relationship between internal control and organizational performance of Medipoint Industries Limited. The study findings indicated that the internal controls used in Medipoint Industries Limited were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist. Koitabu (2013) analyzed financial control as an integral part of financial management which is concerned with the acquisition, financing and management of assets with overall goal. The objectives of the study were to analyze the factors influencing financial control practice of CBOs in Baringo County, examine the influence of technical skills of CBO officials on financial control practice of CBO's in Baringo County. Analyze the influence of internal control systems and budgeting on financial control practices of CBOs in Baringo County. The study concluded that that there is need to lay on the internal control systems and budgeting as most of internal control systems and budgeting techniques have not reached the desired level. The researcher recommend that stakeholders including donors and government need to provide more training to have effective and efficient control.

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

Stakeholder's participation links the three aspects and requires responsible leaders as well as the beneficiaries with a capability and competence of steering the firm to better heights. They have an ability of providing an enabling environment through which the citizens are able exercise their oversight functions and contribute innovative solutions to shared problems (Reenen, 2011). Accordingly, Boyd (2015) posits that the corporate governance structure ought to perceive the privileges of stakeholders set up by law or through common understanding and support dynamic collaboration amongst companies and stakeholders in making riches, occupations and the manageability of financially stable enterprises.

Cattrysse (2014) carried out a study investigating the role of internal auditors in organizations. The study found that internal auditors maintain the structure of organizations internal operations but

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

Ramsay (2012) highlighted that in modern times, a number of forces put together have led to a transformation of governments through the adoption of options meant to scale up their operations and through the enhancement of internal auditor's roles to higher levels in a bid to enhance accountability and transparency in the use of public resources. He further found that the internal audit function entailed evaluation and improvement of control of risks, internal controls and governance processes. Krishnan and Visvanathan (2013) sought to address the role of audit committees and internal auditors in their reporting to management about internal gaps after the passage of the Sarbenes Oxley Act (SOX). The study sampled 164 institutions where audit committee members were the respondents. The study revealed that in the frequent meetings by the internal audit committees, there were no clear responsibilities over effective reporting and over the reporting of fraud in organizations. Wood and Sangster (2015) found that firms with higher corporate governance quality make more informative disclosures. Transparency is integral to corporate governance. Full disclosure and transparency of financial information are vital components of corporate governance framework (OECD, 2019) and are regarded as important indicators of corporate governance quality. Coleman (2016) provides both theoretical and empirical evidence that the public sharing of financial and analyst reports has enhanced factor productivity and economic growth in 30 countries. Higher transparency reduces the information asymmetry between a firm management and financial stakeholders mitigating the agency problem in corporate governance (Wanyama, 2019).

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

3.1 Research Methodology

The study employed descriptive research design. The target population was Heads of Departments in all Ministries, Chief Officers of all Ministries, and Members of the County Assembly. Pilot study was carried out to establish the reliability and validity of research instruments. The instruments was designed appropriately according to the study objectives. A structured questionnaire was used to collect data. Data gathered from the questionnaires administered was analysed with the help of SPSS and Microsoft Excel. The outputs was presented in the form of statistical diagrams, tables, and charts. The study used multiple linear regression and correlation analysis to show the relationship between the variables.

4.1 Results and Findings

The response rate was analyzed to show the representative from the sample size. The study administered 102 questionnaires and 98 were filled and returned. Thus, the response rate of 96.07% under this study was very good for study.

4.2 Correlation Analysis

Correlation analysis was conducted to establish the relationship between the independent and dependent variables. The correlation matrix is presented in Table 1.

Table 1: Correlation Matrix

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

The results in Table 1 revealed that Internal Controls and organizational performance of County Governments is positively and significantly related (r= .707**, p=0.000). The results further indicated that Stakeholder Participation and organizational performance of County Governments is positively and significantly related (r= .721**, p=0.000). Internal Audit Standards and organizational performance of County Governments is positively and significantly related (r= .745**, p=0.000). Lastly, results showed that Transparency and organizational performance of County Governments is positively and significantly related (r= .754**, p=0.000). This implies that an increase in internal controls, stakeholder participation, internal audit standards and transparency leads to an increase on organizational County Governments since the coefficients are positively related.

4.3 Regression Analysis

The study carried out regression analysis to establish the statistical significance relationship between internal controls, stakeholder participation, internal audit standards and transparency on organizational performance of County Governments. According to Chatterjee and Hadi (2015), regression analysis is a statistical process of estimating the relationship among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variable is varied, while the other independent variables are held fixed (Gunst, 2018). The results presented in Table 2 present the fitness of model used of the regression model in explaining the study phenomena.

Table 2: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.859a	0.737	0.726	0.40071	
	Sum of Squares	df	Mean Square	F	Sig.
Regression	41.95	4	10.487	65.316	.000b
Residual	14.933	93	0.161		
Total	56.883	97			
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.149	0.301		0.496	0.621
Internal Controls	0.321	0.091	0.263	3.578	0.001
Stakeholder Participation	0.269	0.090	0.237	3.001	0.003
Internal Audit Standards	0.299	0.079	0.314	3.762	0.000
Transparency	0.002	0.001	0.194	2.091	0.039

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

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

The constant of 0.149 showed that when internal controls, stakeholder participation, internal audit standards and transparency are held constant, performance of County Governments would remain at 0.149 units. The regression of coefficients results show that Internal Controls and performance of County Governments is positively and significantly related (β=0.321, p=0.001). The results further indicated that Stakeholder Participation and performance of County Governments is positively and significantly related (β=0.269, p=0.003). The results further indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related (β=0.299, p=0.000). Lastly, results showed that Transparency and performance of County Governments is positively and significantly related (β=0.002, p=0.039).

The fitted model was;

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

Where;

Y = Performance

X_1 = Internal Controls

X_2 = Stakeholder Participation

X_3 = Internal Audit Standards

X_4 = Transparency

β_0= Constant Term;

β_1, β_2, β_3, β_4= Beta coefficients;

4.4 Discussion of Findings

The first objective of the study was to determine the influence of internal controls on the performance of county governments in Kenya. Correlation results indicated that Internal Controls and organizational performance of County Governments is positively and significantly related (r= .707**, p=0.000). The regression of coefficients results indicated that Internal Controls and performance of County Governments is positively and significantly related (β=0.321, p=0.001). This implies that a unitary increase in Internal Controls leads to increase in performance of performance of County Governments by 0.321 units holding other factors constant. The hypothesis that internal controls has no significant effect on the performance of county governments in Kenya was therefore rejected. The findings are consistent with Whittington and Kurt (2011) who established that internal control is very important to the reliability of financial statements when the internal control system examined closely in timeliness. Further, the findings are in line with Kiragu (2015) who established that thorough management controls are required to manage occupational fraud. Asembo (2017) posited that control activities occur throughout the organization, at all levels and in all functions and include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

The second objective of the study was to determine the influence of stakeholder participation on the performance of county governments in Kenya. Correlation results indicated that Stakeholder Participation and organizational performance of County Governments is positively and significantly related (r= .721**, p=0.000). The regression of coefficients results indicated that Stakeholder Participation and performance of County Governments is positively and significantly related (β=0.269, p=0.003). This implies that a unitary increase in Stakeholder Participation leads to increase in performance of performance of County Governments by 0.269 units holding other factors constant. The hypothesis that Stakeholder Participation has no significant effect on the performance of county governments in Kenya was therefore rejected. The findings concur with Kapopoulos and Lazaretou (2011) who established that stakeholders' participation is vital in ensuring performance of a public entity. Mechanisms and control of the daily operations are vital and this is done through stakeholder's participation. The enhancement of participation is by ensuring members of the public are provided with a platform to exercise their oversight functions, ensuring innovative solutions are shared in solving development challenges and by ensuring that both individuals and groups of people are given responsibilities to that will enhance the success of identified projects. Further, Motwani and Klein (2016) found that the stakeholder ideal of governance is much useful to the developing states, as following the interest may aid to deal with the failure of markets in the economies of the developed states. Reenen (2011) on the other hand argued that stakeholder's participation links the three aspects and requires responsible leaders as well as the beneficiaries with a capability and competence of steering the firm to better heights. They have an ability of providing an enabling environment through which the citizens are able exercise their oversight functions and contribute innovative solutions to shared problems

The third objective of the study was to determine the influence of Internal Audit Standards on the performance of county governments in Kenya. Correlation results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related (r= .745**, p=0.000). The regression of coefficients results indicated that Internal Audit Standards and organizational performance of County Governments is positively and significantly related (β=0.299, p=0.000). This implies that a unitary increase in Internal Audit Standards leads to increase in performance of performance of County Governments by 0.299 units holding other factors constant. The hypothesis that Internal Audit Standards has no significant effect on the performance of county governments in Kenya was therefore rejected. The findings are in agreement with Cattrysse (2014) study on internal auditors in organizations that established that internal auditors maintain the structure of organizations internal operations but also noted that the main problem facing the internal auditor is poor working conditions that create an unfavourable working environment. Kamere (2013) established that the failure to realign skills to address new requirements, failure to conduct risk assessments by management, poor leveraging of ICT to attain efficiencies and failure to cope with diminished resources, affects the performance of internal auditors.

The fourth objective of the study was to determine the influence of transparency on the performance of county governments in Kenya. Correlation results indicated that Transparency and organizational performance of County Governments is positively and significantly related (r= .754**, p=0.000). The regression of coefficients results indicated that Transparency and performance of County Governments is positively and significantly related (β=0.002, p=0.039). This implies that a unitary increase in transparency leads to increase in performance of performance of County Governments by 0.002 units holding other factors constant. The hypothesis that transparency has no significant effect on the performance of county governments in Kenya was therefore rejected. The findings agree with Wood and Sangster (2015) who found that firms with higher corporate governance quality make more informative disclosures. Transparency is integral to corporate governance. Full disclosure and transparency of financial information are vital components of corporate governance framework. Schoorman and Donaldson (2011) posited that understandable, relevant, transparent, reliable, timely and full disclosure of the results of economic activities and the structural processes used in organizational units entrusted to operate in the stakeholder's interest, gives the stakeholders a true and fair view of the firm and the quality of the corporate governance standards it follows. Hambrick and Jackson (2019), argued that transparency is expected to minimize the informational asymmetry in the firm and the probability of fraud, enhancing its detection thus leading to lower cost of capital and hence higher firm value.

5.1 Conclusion

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

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

6.1 Recommendations

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

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

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

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