

**AN ANALYSIS OF FACTORS INFLUENCING FINANCIAL CONTROL
PRACTICES IN COMMUNITY BASED ORGANIZATIONS
IN BARINGO COUNTY, KENYA**

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DECLARATION

This research project is my original work and has not been presented for a degree or any other award in any other university.

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DEDICATION

This work is dedicated to my wife Mrs Maxine Sarno for her moral support.

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ABSTRACT

Studies reveal that weaknesses in financial control practices in CBOs have led to corruption, embezzlement of funds by CBO officials and even the organizations' risk to lose funding by donors. Therefore, the overall objective of this study was to analyze the factors influencing financial control practices of CBOs in Baringo County. The specific objectives of the study were to: analyse the influence of technical skills of CBO officials; internal controls systems and budgeting; bookkeeping and auditing on financial control practices of CBOs in Baringo County. The study used survey research design targeting CBOs in the County. Stratified sampling design was adopted targeting 142 management staff of the different CBOs from six sub counties in the area. The sample of 142 was selected from a population of 220 CBOs in Baringo County. Data was collected using questionnaires and analyzed using both descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS) version 21.0. The findings revealed that technical skills of the CBO officials ($r = 0.478$, $\alpha = 0.01$), Auditing ($r = 0.435$, $\alpha = 0.01$), Bookkeeping ($r = 0.268$, $\alpha = 0.05$) and Internal control systems and budgeting ($r = 0.220$, $\alpha = 0.05$) were positively correlated with financial control practices respectively. Multiple linear regression analysis results showed that Technical skills ($\beta = 0.347$) and Auditing ($\beta = 0.285$) are significant while Internal control systems and budgeting ($\beta = 0.095$) and Bookkeeping ($\beta = 0.024$) are not significant. The study further found out that most CBOs in the area were audited annually although there was need to ensure compliance among all to be subjected to an audit at least once a year. The technical skills of the CBO officials in the area needed to be strengthened especially with regard to spending priorities. The study was very important since the findings will inform the donors and other stakeholders to address the gaps in CBOs to ensure they give the best to the community. It is recommended that standardized accounting and reporting should be provided by the government in order to make the financial activities of the CBOs tractable through sharing of information on a common and acceptable platform. More studies should however be done on the effects of regulations governing funding of CBOs on their performance and on the influence of ICT on the financial performance of CBOs.

Key words: Community Based Organizations, Financial control, Capacity assessment, Donors

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LIST OF ABBREVIATIONS AND ACRONYMS

CBO:	Community Based Organization
COBIT:	Control Objectives for Information and Related Technology
GAAPs:	Generally Accepted accounting Principles
ICAEW:	Institute of Chartered Accountants of England and Wales
ICPAK:	Institute of Certified Public Accountants of Kenya
ICS:	Internal Control Systems
IFASB:	International Financial Accounting standards Board
IMF:	International Monetary Fund
INTOSAI's:	International organization of supreme audit institutions
NGO:	Non-Governmental Organization
NPO:	Non Profit Organization
PTAs:	Parent Teachers Associations
SMCs:	School Management Committees
WVK:	World Vision Kenya

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The state has been the key player in the social and economic development of a country for a long time. Over time, non-governmental organizations came in to play a role in development after noting that there were gaps in the way government was conducting its development. Community Based Organizations (CBOs) are said to be better placed than the other players in community development. As such participation of people is more rigorous and more authentic because they are based right at the community. Since they are less structured, they are very flexible and can easily adapt to changes (De Beer and Swanepoel 1998).

The evolution of community organizations in recent years especially in developing countries has reinforced the view that these grass root organizations are more effective in addressing local needs than larger charitable organizations due to their penetration, networks and perceived neutrality in their areas of operations. As a consequence, many international non-governmental organizations are increasingly relying on CBOs to access the community, hence, in most cases partnering with them for greater developmental outreach (Fisher, 2002).

CBOs are often non-profit organizations particularly service agencies that are located in and provide essential services to neighbors and communities. They include parents and teachers associations (PTAs), sports clubs, church groups, school management committees (SMCs) and even youth groups formed for a particular need in society and many others. According to Wanjohi (2010), CBOs are civil society non-profit organizations that operate within a single local community. They are essentially a subset

of the wider group of non-profit making organizations. Within community organizations there are many variations in terms of size and organizational structure. Some are formally incorporated, with a written constitution and a board of directors (also known as a committee), while others are much smaller and more informal. Other civil society structures, for example, took the form of street committees and people's courts (Motala and Husy, 2001).

Modern CBOs emerged following the American Civil War. There was a rapid rise in the number of charitable agencies designed to lend assistance to those displaced, disabled, or impoverished by the war. Many of these organizations were progressive in philosophy, even by the standards of the early twenty-first century, and they provided services to or activities for, children and teens (Fisher, 2002). The late 1800s also saw an expansion of the public school system, along with the creation of hundreds of orphanages, hospitals, settlement houses, and other charity services. Due to the rapid rise of such organizations, and a lack of government oversight, the distribution and coordination of services soon became problematic (Speer and Perkins, 2002).

The term *community organization* was coined by social workers in this era to address the problem of coordinating charity-based services, thus reflecting the structural perspective of community. However, the next phase in the evolution of community organization stressed cooperative planning among privately run community-service agencies. Efforts were geared toward specialization of services and centralization of decisions regarding these services. By the late 1940s, community organization became professionalized in the field of social work. Community organization theory stressed organizing as a process where a professional organizer worked with communities to help develop leadership within a community (Jowell, 2009). During the 1980s and 1990s, community organizations expanded to the point of being referred to as a movement, and the process of community organizing expanded into many community organizations. One struggle

that emerged in this period was the awareness of power shifting from local communities to regions, nations, and international corporations. The process of globalization has raised new questions about the efficacy of local organizations in addressing problems caused by large-scale economic forces (Speer and Perkins, 2002).

In Kenya, CBOs began as self-help groups in the early 1960s when the first president of the republic began to encourage grassroots growth through coming together in the spirit of what was referred to as Harambee. This spirit was based on the understanding that one could not be able to carry out plans or actions by him/herself but would require a certain contribution from the other members of the society. The Harambee spirit kept most of the self-help groups growing (Wanjohi, 2010).

Currently, it is estimated that there are approximately 40,000 CBOs in Kenya. From the late 1980s, Kenya has witnessed increased proliferation of organisations carrying out non-profit work. The last three decades has witnessed unprecedented growth in number and activities of these organisations. The volume of resources controlled by the sector has also grown, if activities carried out by non-profits are anything to go by (Karuti & Mitullah, 2006).

Most of these organizations are membership based organizations that offer services to their members as much as they give back to the society. They are often non-profit organizations which are based locally within the communities and they play a critical role in creating a ground for individuals to share their problems and resources in a manner meant to edify the community (Dave, 1991). Moreover, these organizations serve to bridge the gap between the 'haves' and the 'have-nots' of the society and their main

sources of finance are contributions from the members of the organization, society and donors (Wanjohi, 2010).

However, the CBOs in the country are experiencing a myriad of problems that include ineffective boards, absence of strategic planning activities, poor recording practices, lack of necessary policies and procedures, high turnover of employees and volunteers and dependence on a limited number of funding sources (Padilla, Staplefoote & Morganti, 2012). Effective financial management practices are therefore essential in improving transparency, efficiency, accuracy and accountability resulting in the organizations achieving their objectives. Typically CBOs are reliant on donations from their members, the local community and at times sponsorship from government and businesses. Some get their funding from international donors such as agencies, religious organizations and even individuals (Hendrickse, 2008). With the increasing levels of donor interest and funding, CBOs need to be more accountable and improve in their financial management practices because they are flexible, less bureaucratic, more responsive and closer to the people. In particular, financial control practices such as budgeting and accurate reporting is essential in not only meeting the donor objectives but also building their confidence.

Financial control is an integral part of financial management which is concerned with the acquisition, financing, and management of assets with some overall goal in mind. The decision function of financial management can be broken down into three major areas: the investment, financing, and asset management decisions. It is also concerned with the financial decisions that must be made in order to maximize shareholders' wealth or donors'/contributors' stipulations. According to Pandey, (2004) financial management is that managerial activity that deals with the planning and controlling of the firm's financial resources. Though it was a branch of Economics till 1890, as a separate activity or discipline it is of recent origin. Still it has no unique body of knowledge of its own, and draws heavily on Economics for its theoretical concepts even today.

Financial control is the phase in which financial plans are implemented; control deals with the feedback and adjustment process required to ensure adherence to plans and modification of plans because of unforeseen changes (Besley & Bringham, 2005). The control function of the financial manager becomes relevant for funding which has been raised. The manager needs to determine if the various activities of the organization meet set objectives. This will be determined when data of actual performance versus forecast are compared. Forecast data in this case will have been prepared in the light of historical data modified to reflect expected future actuals (BPP Professional Education, 2006).

According to WVK capacity assessment report (2013), Ngubereti Water Projects' financial transactions, especially the sales of water were still not clearly transparent and accountable due to lack of effective transactional systems. The capacity assessment report also showed that another CBO, Morie Community Based Organization did not have well developed financial tracking system to enhance its performance measurement.

1.2 Statement of the Problem

Financial control is a very crucial area of project management. Many CBOs in Kenya fail due to either lack of transparency and accountability in the use of project funds or lack of proper records on how the funds are used (Odindo, 2009). In most cases, the funds are used but the record keeping is poor. It is therefore difficult to trace the expenditures and this could complicate other functions like budgeting. Dealing promptly with any unforeseen deviations in finances of the projects will ensure that the goals of the organization are being pursued appropriately (Besley & Bringham, 2005). Several complaints concerning financial control in CBOs have been raised by the community and donors. For instance, quarterly financial reports submitted to World Vision Kenya (WVK) from sub grantee CBOs showed lack of proper recording of financial transactions in the system and lack of capacity as regards financial control in those CBOs (World Vision Kenya, 2013). WVK often sent back financial reports to the CBOs for corrections so as to enable them qualify for the next funding. In addition, as found by Wanyama

(2005), CBOs have not been as effective in service provision due to embezzlement of funds by leaders, a factor that could be prevented by a strong financial control. A more targeted report, as regards CBOs operating in Mogotio division of Baringo county, done by WVK in the region in May 2013, revealed that there were evidences pointing to lack of transparency and accountability in financial transactions in a number of cases. The reasearcher hypothesized that technical skills of CBO officials, internal controls systems and budgeting, bookkeeping and auditing were possible factors responsible for these problems. Therefore, this study aimed at analyzing how these factors influence financial control practices of CBOs in Baringo County.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to analyze the factors influencing financial control practices of CBOs in Baringo County.

1.3.2 Specific Objectives

The specific objectives of the study were to:

- i. Examine the influence of technical skills of CBO officials on financial control practices of CBOs in Baringo County.
- ii. Analyze the influence of internal controls systems and budgeting on financial control practices of CBOs in Baringo County.
- iii. Analyze the influence of bookkeeping on financial control practices of CBOs in Baringo County.
- iv. Examine the influence of auditing on financial control practices of CBOs in Baringo County.

1.4. Hypotheses

The study was anchored on the following hypotheses;

H0₁ Technical skills of CBO officials have no influence on financial control practices of CBOs in Baringo County

H0₂ Internal control systems and budgeting have no influence on financial control practices of CBOs in Baringo County

H0₃ Bookkeeping has no influence on financial control practices of CBOs in Baringo County

H0₄ Auditing has no influence on financial control practices of CBOs in Baringo County

1.5 Justification of the Study

There is growing need to use CBOs to spur economic development in Kenya today hence the need to have these institutions capable of governing themselves properly through proper financial control. Control is important because of the following reasons: Firstly, if the projected operating results are unsatisfactory, management can “go back to the drawing board” reformulate its plans, and develop more reasonable targets for the coming period. Secondly, it is better to know a problem in advance and tackle it than when it is too late and bring operations to a halt.

The CBO officials in Baringo County and those in other CBOs as well as other NGOs and donors may use the findings to strengthen their financial control practices to enhance achievement of objectives thus making them more effective. The NGOs and other donors funding the CBOs will also be in a position to identify the gaps hence support the CBOs by building their capacities in Financial Management.

For the scholars that may be interested in pursuing knowledge in related areas, this study will provide some critical insights and guidelines on the factors that influence financial control practices and suggestions on areas that require further research. The government may also use the findings together with others from similar studies to enlist the support of the CBOs in carrying out interventions and other community support programs. The findings are also meant to be used together with others in policy formulation.

1.6 Scope and Limitations of the study

This study was conducted in September 2013 and involved 134 CBOs selected from the six Sub counties in the county. The data was collected by the researcher and four assistants using a questionnaire.

This study was restricted to Baringo County. Other CBOs outside the county were not covered; hence, the outcome may not give a conclusive picture of all the CBOs in the country. However, this limitation was addressed using appropriate sampling techniques and instrumentation.

Some of the respondents were also reluctant to reveal information on issues deemed controversial such as competence of staff in terms of educational qualifications. However, the challenge was overcome by assuring them that the study was purely for academic purposes and the guarantee of the confidentiality of the information given.

1.7 Assumptions of the Study

The researcher assumed that the respondents of the study would be supportive, and that they would find time to fill in the questionnaires. The researcher also, assumed that enough resources would be available to carry out the research and access respondents in time.

1.8 Operational Definition of Terms

Audit: According to Hanson in Kumar & Sharma, (2011), an audit is an examination of such records to establish their reliability and the reliability of statements drawn from them. Audits as used in this study is ascertaining the crediility of books of accounts, project monitoring and ensuring compliance to policies and the generally accepted accounting principles.

Balance sheet: According to Needles & Powers, (2008), the purpose of a balance sheet is to show the financial position of a business on a certain date, usually at the end of the month or year. The balance sheet presents a view of the business as the holder of resources, or assets, that are equal to the claims against these assets. In this study it means list of assets and liabilities

Bookkeeping: The process of recording financial transactions and keeping financial records (Needles & Powers, 2008). In this study bookkeeping is recording and maintaining financial information.

Budgeting: According to Welsch, Hilton & Gordon (2006), Budgeting is a systematic and formalized approach for performing significant phases of the management planning and control functions. According to this study budgeting is financial planning that shows the source and use of funds as well as a tool of financial control.

Community Based organization (CBO): Chechetto-Salles and Geyer (2006) define community-based organization (CBO) as an organization that provides social services at a local level. It is a non-profit organization whose activities are based primarily on volunteer efforts. This means that CBOs depend heavily on voluntary contributions for labour and financial support. In this study CBOs includes all non profit organizations other than the big not for profit making organizations.

Financial control: Financial control is the phase in which financial plans are implemented; control deals with the feedback and adjustment process required to ensure adherence to plans and modification of plans because of unforeseen changes (Besley &

Bringham, 2005). According to this study financial control constitutes of systems and processes used to ensure that the money is correctly handled.

Internal control systems: The whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records (Millichamp, 2000). In this study internal control systems means recording controls, budgetary controls, segregation of duties and authorization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the various studies concerning financial control practices used in CBOs. Specifically, it highlights areas such as the concept of financial management and financial control practices in these organizations, and finally builds on the conceptual framework to show the relationship of the variables in the study, majorly on causal effect. This helped the researcher to bridge the gap in knowledge existing in the study area. The literature was sourced from the print and electronic media including, books, journals reports and various web publications on the subject.

2.2 Community Based Organizations Management Practices

Sarma, Vicary and Holdrege (2004) defined community-based organisations as “grassroots organizations managed by members on behalf of members”. According to Sarma, Vicary and Holdrege, the community-based organizations are identified by 4 characteristics which are local ownership (the organization is owned by the community and serves its priorities and aspirations), local accountability (the organization is accountable to the community and not to a higher level), local control (the members have control over the direction and activities of the organization), and local membership (the organization is made up of members of the community).

Community Based Organizations are civil society non-profits that operate within a single local community. They are essentially a subset of the wider group of non-profits. Like other non-profits they are often run on a voluntary basis and are self-funding. The recent evolution of community organizations, especially in developing countries, has strengthened the view that these "bottom-up" organizations are more effective addressing local needs than larger charitable organizations.

During the 1980s and 1990s, community organizations expanded to the point of being referred to as a movement, and the process of community organizing expanded into many community organizations. One struggle that emerged in this period was the awareness of power shifting from local communities to regions, nations, and international corporations. However, according to Speer & Perkins (2002), the process of globalization has also raised new questions about the efficacy of local organizations in addressing problems caused by large-scale economic forces.

The World Bank and the International Monetary Fund (IMF) attribute Africa's development crisis to an "overgrown" state, which had not only stifled individual freedom, but was also corrupt, parasitic and inefficient. The neo-liberal call for the retreat of the state in the development process was viewed as a means of empowering people to take charge of their own development through voluntary initiatives at the local level, (Wanyama, 2001).

According to Garner (1998), the state and local government rely heavily on non-profit making organizations to provide a broad range of human services to the communities that they serve. These organizations are typically CBOs or faith based organizations (FBOs) that depend on volunteers to perform their missions. Some are grass root organizations run by an original founder. In general these organizations are usually overwhelmed with the day to day service delivery demands, with little time or energy to focus on administrative matters. While these organizations are extremely dedicated to their particular issues, they often lack the business understanding that can be found in government and commercial sectors. These can lead to a variety of management related problems including; ineffective boards, absence of strategic planning activities, poor financial accounting practices, lack of necessary policies and procedures, high turnover of employees and volunteers and dependence on a limited number of funding sources. The likely result is compromised service delivery to those in need of organizations that are vulnerable to failure.

Hendrickse (2008) points out that NGO financial management should include: keeping an accurate record of all financial transactions; linking the budget to the organization's strategic and operational plans; producing management accounts so that managers can compare the organization's progress against the budget and then make decisions about the future; producing financial statements for outside scrutiny to demonstrate how funds have been applied in the past; having internal controls or checks and balances in place to safeguard the organization's assets, and to manage risk and having an audit committee or auditor to assist in the quality and reliability of financial and other performance information used.

Garner (1998) points out that all non-profit making organizations have a common objective; they all have many of the same needs for financial information. Thus the accounting, financial system and financial reports are similar to profit making organizations. However, because of the differences in organizational objectives, financial procedures are modified to suit the specific type of organizations. In his study of CBOs in Western Kenya, Wanyama (2001) observes that most CBOs do not have qualified personnel, lack sufficient resources, have inefficient systems in place, and officials have self-interests and are corrupt. Many small CBOs also cannot afford to engage auditors as they are very expensive and given that their funder's require them to have an annual audit by a registered audit firm it means that they should request funding for this by including it in the budget as a line item.

2.3The Concept of Financial Management in CBOs

Financial management practices are put in place to keep an organization on course towards profitability goals and achievement of its mission, and to minimize surprises along the way. Financial management practices promote transparency, accountability, efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Since financial management serves many important purposes such as transparency, accountability and efficiency, there are increasing calls for better financial management practices and report cards on them.

The changes in the political context or shifts in donor policies towards more stringent lending practices, in conjunction with difficulties within CBOs and NGOs - for example, corruption, lack of financial management, inadequate planning: failure to prioritise, duplication of services and programmes, inadequate leadership capacity; lack of professional fundraising endeavours, and poor governance - are but some factors quoted by commentators, which contributed to the demise of many civil society organisations (Kihato & Rapoo, 1999).

Responsibility for the sound management of financial resources is as important both for managing the people and other resources of an organization objectively. In smaller organizations like CBOs, much of the management responsibility rests with the manager in the field and can lead to the duplication of roles which will then demand that the manager be competent in all areas of finance. However, in order to achieve quality financial reporting it will also mean that they must have a good overview of their project's progress, and it can be found that good financial records make sound project monitoring and evaluation much easier. Therefore, a good project proposals give CBOs some tools for resource mobilization and fund raising. Once they have received the grant, they are accountable for its use, and for that, their accounts need to be in order. Essentially a good proposal contains a sound financial control plan in addition to the objectives of the project so as to ensure efficient management of resources. Therefore, proper planning and controls are central to the entire process (Kraak, 2001).

These and other aspects of the financial management cycle are shown in Figure below.

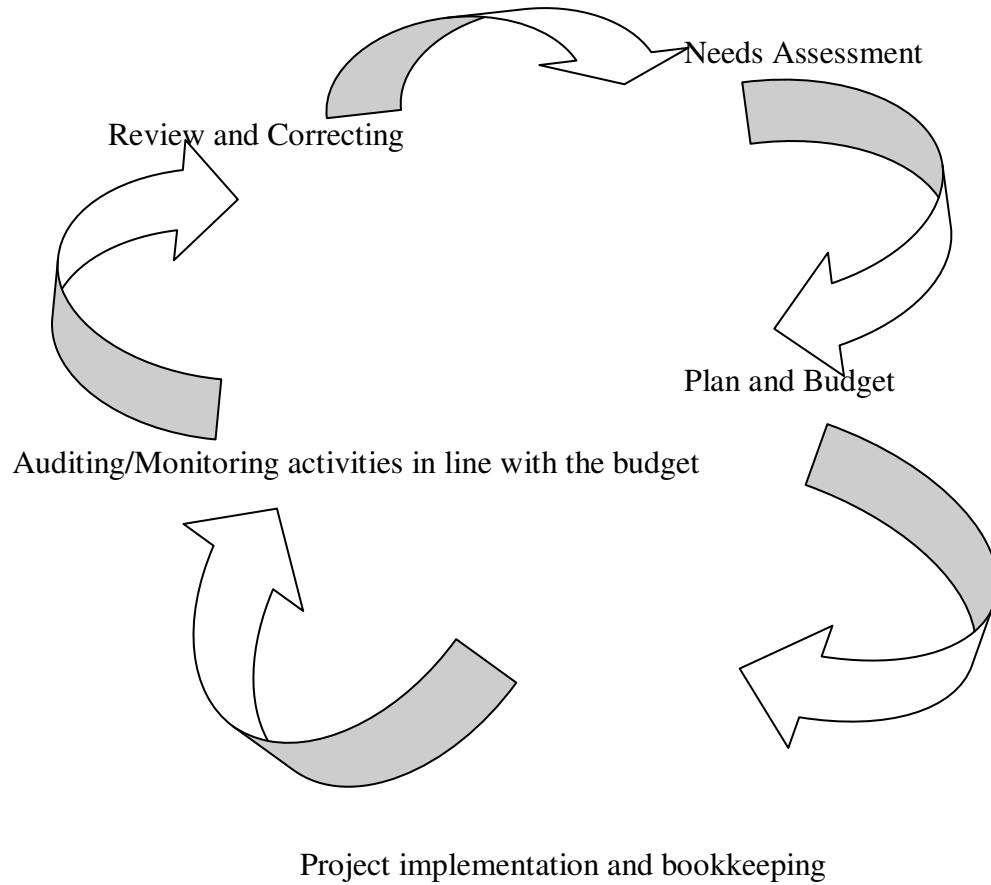


Figure 1.1 : Financial management cycle (Jowell, 2009).

It is evident from Figure 1.1 that the work of a financial manager can be very involving, therefore, combining these activities with other managerial duties can be very taxing and demand not only competence from the manager but also a lot of time. Planning and control are integral parts of the financial management cycle. Planning is the process of deciding in advance what an organization wants to achieve, the activities involved and how much they will cost. A budget will only be prepared after deciding what activities the organisation plans to do in the community and how to go about them. After deciding

on the activities, then one can start thinking about sourcing money that will be needed to carry out the activities (Jowell, 2009).

Budgeting is a process which matches resources and needs in an organised and repetitive way so those collective choices about what an entity needs to do are properly resourced. A budget on the other hand is an itemised estimate of expected income and operational expenses over a set period of time (Pauw, Woods, Van der Linde, Fourie and Visser, 2002; Odgers and Keeling, 2000).

A budget is a spending plan for a project over a specific time period. It is a financial plan for a project that lasts for a given period hence one of the crucial elements of financial controls. The budget shows how much the organisation thinks it will need to do its work, the source of funds and how much money it still needs to find. It is part of planning which starts with setting objectives then draw up action plans and budgets. It obliges an organization to plan its spending and fund-raising and to be realistic about what it can afford to do since an organization cannot spend what is not available. According to Jowell, (2009), a budget is not a wish-list but a carefully worked out plan for what a project will cost an organization. Most of the donors like to see what they call ‘an Activity based budget’. This is a budget that clearly shows what the actual activities/ project of an organisation will cost, that is, it is a route map for all the planned expenditure that makes them tractable (Kumar and Sharma, 2011). This does not mean that salaries or administration costs are not to be included, but these costs need to be clearly related to the project for which funding is requested and must also appear in the balance sheet (Hendrickse, 2009).

For financial accountability to be ensured in an organization, certain financial policies need to be in place to ensure proper project implementation and bookkeeping practices. One such policy that is essential for good accountability is the need to get permission before using a cheque. It is always done to ensure that each expense, is part of an agreed budget and that the person in authority, often the project manager or director, has

authorized. This needs to be filed and the slips of the payment made with that cheque, attached (Shapiro, n.d.). In other words, there should be proper supporting documentation for all disbursements, petty cash and reimbursements.

An accounting system is comprised of accounting records including cheque books, journals, vouchers ledgers etc. and a series of processes and procedures assigned to staff, volunteers and/or outside professionals. The goals of the accounting system are to ensure that financial data and economic transactions are properly captured in accounting records and that financial reports necessary for management are prepared accurately and in a stipulated time, (Megs & Megs, 1995). The financial reports show how much the organization has spent, how much they received as income, what they spent it on, that is, the line items, whether they are overspent or under-spent according to their budget. By use of the variance analysis reports, the management will be in a position to develop measures to ensure that discrepancies are minimized. This is referred to as review and correction. It involves auditing which is a formal, external and independent review by a registered professional person who checks the finances of the organisation.

2.4 Factors relevant to Financial Control Practices

The concept of financial control is at the heart of financial management (Alin, de Boer, Freer, Ginneken, Klaasen, Mbane, Mokoetle, Moynihan, Odera, Swain, Tajuddin, & Tewodros (2006). Financial control ensures that the finances of an organisation are well handled. Without financial control, assets are at risk, funds may not be spent in accordance with the organisation's objectives or donors' wishes, and the competence of managers and the integrity of the organisation may be called into question (Alin et al., 2006).

Financial control is achieved by designing systems and procedures to suit the particular needs of an organisation (Alin et al., 2006). For the purpose of financial control and

accountability of NGOs, it is vital that an overall financial policy be put in place. The policy should include individual policies pertaining to the donors, income, budgeting, expenditure, travel, auditing, petty cash, assets, salaries, staff loans and the opening and operation of a bank account (Shapiro, n.d.).

According to a study done by Odindo (2009), most CBOs in the country are unable to cover their intended project areas with only a very small proportion, actually less than 2% being able to cover over 75% or more of their planned target population with in their activities. The study also found that majority, slightly more than half, of the organizations were able to cover between 25 and 50% of the planned target population while about one third, of the organizations were only able to cover only 25% of the planned target population. The rest covered 51 – 75% of the population. This situation was influenced mainly by lack of training and project funds although lack of equipment and low level of staff training also significantly affected their ability to reach their target populations. Another significant challenge was the lack of transport and poor infrastructure. This section focuses on the aspects of these challenges that directly affect financial control practices in the CBOs such as; staff training, internal controls, and bookkeeping and audit practices.

2.4.1 Technical Skills and Financial Control Practices

According to Garner (1998), active board officials can be the most important resource in the long-term financial health of non-profit organisation. Non-profit organizations must get accounting expertise somehow, if they don't have strong skills in this area. Organizations should get someone on board with accounting skills to be the treasurer. An accountant should help set up the bookkeeping system, generate financial statements and do some financial analysis. The knowledge and understanding of basic accounting processes is required for the effectiveness of accounting to be guaranteed.

For effective financial control, the organization's staff and board members are required to be conversant and participate in the budgeting process that affects the line items for which they will be held responsible. For non-profit making organizations, planning and

financial management are activities that unite rather than divide the organization. Program planning is often viewed as the domain of the executive director, program director, and the board (Vincent & Emil, 2000). As found by Wanyama (2005), like the state, CBOs have not been as effective in service provision despite the advantages that they enjoy over the state as far as development is concerned. This was attributed to a number of factors; embezzlement of funds by leaders, illiteracy among members, delay in remitting and defaulting on contribution. These factors clearly depicts how technical skills of the personnel as regards financial control practices in CBOs.

2.4.2 Internal Controls and Financial Control Practices

Internal control systems are all systems and procedures either financial or otherwise that are put in place so as to ensure the organisation processes are run in an effective and efficient manner and to safeguard the assets of the organisation. This includes procedures, processes, putting up security fences, safe custody of resources, pre-numbering of receipts, policies and manuals. These are essential as they develop an environment of orderliness and guidance in operations of an organization leading to effectiveness in financial accounting, (Malvern, 2002). According to the Institute of Chartered Accountants of England and Wales (ICAEW), “Internal control means not only internal check or internal audit, but the whole system of control, financial and otherwise, established by the management in order to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible accuracy and reliability of its records.” (Kumar & Sharma, 2011)

According to The Institute of Certified Public Accountants of Kenya who have adopted international standard on auditing 315 (2004), Internal control is the process designed and effected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. It follows that internal control is

designed and implemented to address identified business risks that threaten the achievement of any of these objectives.

International organization of supreme audit institutions- INTOSAI's (1992) Guidelines for Internal Control Standards defines an internal control structure as the plans of an organization, including management's attitude, methods, procedures, and other measures that provide reasonable assurance that the following general objectives are achieved: Promoting orderly, economical, efficient, and effective accounting systems and quality products and services consistent with the organization's mission; Safeguarding resources against loss due to waste, abuse, mismanagement, errors, and fraud and other irregularities; Adhering to laws, regulations, and management directives, developing and maintaining reliable financial and management data and fairly disclosing that data in timely reports.

According to Institute of Internal Auditors Research Foundation's Systems Auditability and Control –SAC (1994) internal controls are set of processes, functions, activities, sub-systems, and people who are grouped together or consciously segregated to ensure the effective achievement of objective and goals. Control Objectives for Information and Related Technology- COBIT (1996) cites that internal controls are the policies, procedures, practices, and organizational structures designed to provide reasonable assurance that business objectives will be achieved and that undesired events would be prevented or detected and corrected.

A budget is a summary of detailed calculations. Before an organization adds a number for, say, salaries, they will have a discussion about the number of staff they plan to employ, for how long, at what grade, with which benefits, and so on – their worksheet then adds up to the number put into the budget. Thus, a budget should not be a chain of remote guesses. It should reflect careful, calculated estimates. If they have done work in

the past, this becomes much easier, as they will have historical data to rely on. It should be known that a budget is also a tool of control that will guide the management of an organization as they implement their activities (Jowell, 2009). Development of credible budgets that are not out of pace with the planned activities has always been an area of challenge for some civil society organization. In previous Rounds, CBOs have been known to submit proposals with budgets way out of synchrony with the planned activities (Jowell, 2009).

2.4.3 Bookkeeping and Financial Control practices

Unlike businesses that earn their income by selling goods or services, and unlike the government whose resources are provided by taxation, a non-profit organisation (NPOs) does not own the resources it raises. NPOs are expected to be careful and effective managers of the resources entrusted to them by donors, sponsors and the state. Financial management systems need to be developed, no matter how simple and basic, and maintained by an organisation's office bearers to ensure the appropriate use of resources (Department of Social Development, 2001). An NPO does not own the resources it needs to fulfil its mission, but is allowed to use money and other gifts to achieve planned objectives. Those who release these resources have to be convinced that the work will be done according to plan, and with responsibility (Department of Social Development, 2001). This calls for proper bookkeeping.

Financial statements and audit reports communicate, to a range of internal and external stakeholders, the financial status of the CBOs and the transparency and accountability of their financial management system. Financial statements are reports, which give an accurate picture, at regular intervals (monthly, Quarterly, semi-annually, annually), of the money received by the CBO or participating institutions and how it has been spent. The report also shows a comparison of actual income and expenditure against budgeted income and expenditure. The International Financial Accounting standards Board (IFASB), which the Institute of Certified Public Accountants of Kenya (ICPAK) is a

member developed accounting concepts that were accepted and promoted in financial accounting. This independent body enforces what is clearly known as “Generally Accepted Accounting Principles”- GAAP which are the ground rules of financial accounting that are universally accepted and applied.

The financial accounting practices are based on various accounting and financial concepts that are Universally Accepted by the accounting profession as guidelines for reporting and interpreting accounting information to enhance effectiveness of accounting systems. Swanson, Hunson & Ross, (1998) assert that the following accounting concepts, principles, assumptions and conventions guide in financial accounting practices. The basic financial accounting assumptions are: Separate entity assumption where the business is an entity that is distinct from its owners, so that the finances of the firm are not co-mingled with the finances of the owners. Going concern assumption where the business is assumed to be going to operate for the foreseeable future. Stable monetary unit assumption - e.g. the U.S. dollar, fixed time period assumption where information is prepared and reported periodically i.e. quarterly or annually, Historical cost principle where assets are reported and presented at their original cost and no adjustment is made for changes in market value. Matching principle where matching of revenues and expenses in the period earned and incurred. Revenue recognition principle where revenue is realized (reported on the books as earned) when everything that is necessary to earn the revenue has been completed. Full disclosure principle where all of the information about the business entity that is needed by users is disclosed in understandable form. This is the foundation for effective financial accounting practices, providing discipline and structure.

Nonprofit organizations are responsible for two key domains of accountability: performance and finances (Brinkerhoff, 2001). By disclosing details of financial standing and social performance, nonprofit organizations can build community trust, provide relevant information to donors, demonstrate their responsive to stakeholders, and generally helpful fill their “societal quid pro quo ” (tax-exempt status) by providing

evidence they are responsibly targeting their social mission (Saxton & Guo, 2011). The issue of disclosure, especially concerning finances and performance, is thus at the heart of modern debates in creating a more open and accountable nonprofit sector. However, our understanding of what motivates organizations to be more open with the information they share with the public is only now beginning to be addressed by nonprofit scholars (Behn, DeVries, & Lin, 2010).

The concept “financial control” forms the core of financial management. Financial control is a state of affairs that ensures that the finances of an organization are handled properly. Without financial control, assets are put in jeopardy, funds may not be spent in accordance with the organization’s objectives or donor’s desires, and the competence of managers and the integrity of the organization may be called into question. Financial control is achieved by designing systems and procedures to suit the particular needs of an organization, (Hendrickse, 2008).

2.3.4 Audits and Financial Control Practices

An audit is a process for testing the accuracy and completeness of information presented in an organisation’s financial statements. In addition to the materials included in the audit report, the auditor often prepares a management letter or report to the board of directors. This report cites areas on the organisation’s internal control system which the auditor evaluates as weak. Many auditors provide year-end financial accounting services which are not part of the audit. These include preparing year-end financial based statements based on clients reports, depreciation schedules and accrual and other adjustments based on clients . This serves as an independent examination of the existing accounting systems to see whether it is effective and gives a true and fair view of an organization’s state of affairs as at a particular period in time enhancing the effectiveness of financial accounting (Vincent & Emil, 2000).

According to Hanson in Kumar & Sharma, (2011), an audit is an examination of such records to establish their reliability and the reliability of statements drawn from them. An audit is an examination of the books, accounts and vouchers of a business, as shall enable the auditor to satisfy himself whether the Balance Sheet is properly drawn up , so as to give a true and fair view of the state of affairs of the business, and that the profit and loss account give a true and fair view of the profit or loss for the financial period, according to the best of his information and the explanations given to him as shown by the books; and if not, in what respect he is not satisfied.

The CBO management should exercise stewardship when using the organization's resources and the work of audit will be to scrutinize the books to establish this. The process whereby the managers of a business account or report to the owners of the business is called stewardship accounting. (Millichamp, 2000).

2.4 Theoretical Framework

This study is anchored on the Public Budgeting model. Budgeting is characterized by its approaches, functions, formation, and type. Since CBOs characteristically resemble public bodies in many aspects, this model will be ideal for analysing their behaviour especially in terms of financial controls. The Public Budgeting model was first advanced by Smith and Lynch who described public budgeting through four perspectives. The political where the politician sees the budget process as "a political event conducted in the political arena for political advantage". The economical where the economist views budgeting as a matter of allocating resources in terms of opportunity cost where allocating resources to one consumer takes resources away from another consumer (Smith & Lynch, 2004). The role of the economist, therefore, is to provide decision makers with the best possible information. The accountant's perspective focuses on the accountability value while budgeting which analyses the amount budgeted to the actual

expenditures thereby describing the "wisdom of the original policy". Smith and Lynch's public manager's perspective on a budget is a policy tool to describe the implementation of public policy. In this study, only the accountant's perspective shall be considered since it gives more of a control perspective than the other two especially in variance analysis.

Several leading theorists like Cleveland, Willoughby, Key, Lewis and Musgrave have also provided many insights to public budgeting like giving a more precise definition and purpose, sparking the normative question regarding how scarce resources ought to be distributed to unlimited demands. Identification of the three roles of government in the economy, that is: allocation of resources, distribution of goods and services, and economy stabilization. Wildavsky suggested that budgetary decision making is largely political, rather than based on economic conditions while Rubin: facilitated the discussion of the dichotomy between theory and practice of public budgeting. Schick: outlined the three functions of budgeting as : Strategic Planning which is essentially deciding on the goals and objectives of an organization; Management Control which is the management's process of assuring effective and efficient accomplishment of goals and objectives laid out via strategic planning : and Operational Control which is focused on proper execution of specific tasks that provide the most efficient and effective means of meeting the goals and objectives ordered by management control.

The three values have been set forth in relation to budgeting and that are generally discussed in the literature of public budgeting are; accountability, efficiency, and efficacy. Accountability focuses on the inputs going into the system or program in action and is best characterized by the Line-item budgeting approach. It is best suited for the control and monitoring functions of a budget. Efficiency focuses on the process of the system or program and its conversion of inputs (resources) into outputs (policy). Its focus on the process makes this value appropriate for performance budgets and most in-line with management and steering functions. Efficacy focuses on outputs and outcomes, measuring the impact of policy. This value follows both the program budget and Program

Planning Budgeting System (PPBS) budget approaches and coincides with the planning and strategic brokering functions.

Budgeting in this study follows the traditional Model which emphasizes on the control function and focuses on the consequences of expenditures. Studies indicate that only a small proportion of CBOs demonstrate a high proficiency in budget development in applying for Global Fund grants (Odindo, 2009). In practice, many organizations find preparing a budget being a major hardship. It is therefore not surprising to find many organizations express the need for training in budget development. These are areas that, without proper and detailed training at least for a cohort of implementers within an organization, there would be major constraints. This is because a budget will only be prepared after identifying the activities the organization plans to do and how to do them. After deciding on these activities then the source of funds can be thought of (Jowell, 2009).

2.5 Research Gap

Literature reviewed revealed that studies that have been carried out in Kenya focused on other disciplines relating to CBOs. Thus the study of CBOs in Kenya has not been done much in the field of financial management especially the aspect of control. This study examines those aspects that emerged but left out in previous studies. As found by Wanyama (2005), the following factors made the CBOs to be ineffective in service provision; embezzlement of funds by leaders, illiteracy among members, delay in remitting and default on contribution. The researcher developed the variables used in the study based on the said factors. Also, there is a growing need to make use of local institutions including CBOs to implement government and community projects hence the need to strengthen their control of finances. It is in this consideration therefore, that this study needed to be done to come up with recommendations to ensure transparency and accountability in CBOs.

2.6 Conceptual Framework.

The main variables of the study were technical skills of CBO officials, internal control systems and budgeting, audits and bookkeeping. These variables are the independent variables and were analysed in relation to financial control practices as measured by the financial control practices which is the dependent variable. Financial Control Practices can be measured by completed projects, adequate allocation of resources, debt management, control of expenditure and incidences of graft. This is depicted in figure 2.1

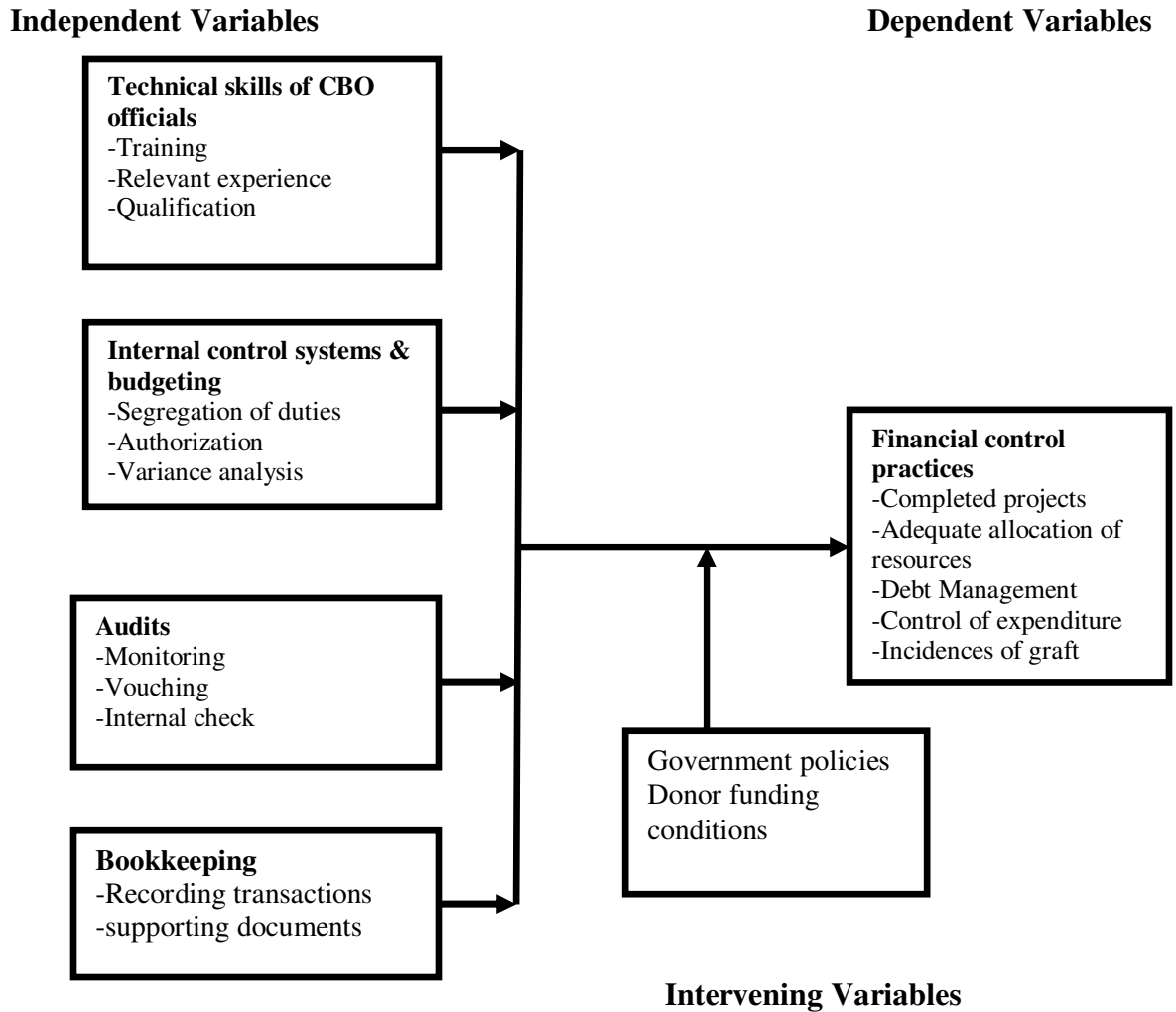


Figure 2.1 Conceptual Framework

Source: Researcher (2013)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter generally outlines the selected methods and technical aspects of the study. It covers the research design, target population, sample design, data collection instruments, data analysis, data presentation and ethical consideration.

3.2 Research Design

This study used a survey research design which is a method of sociological investigation that uses question based or statistical surveys to collect information about how people think and act. A survey may focus on opinions or factual information depending on its purpose, but all surveys involve administering questions to individuals (Kombo and Tromp, 2006). When the questions are administered by a researcher, the survey is called an interview or a researcher administered survey. When the questions are administered by the respondent, the survey is referred to as a questionnaire or a self-administered survey. Survey research design is an efficient method for systematically collecting data from a broad spectrum of individuals and educational settings.

Survey research design was relevant to this study because the study sought to establish the status of financial control practices with respect to community based organizations in Baringo County. Salant and Dillman (1994) noted that the researcher must ensure that the number of survey instruments distributed is sufficient to allow for no response and for unusable, illegible, and incomplete responses.

3.3 Target Population

The target population were active CBOs in Baringo County. The researcher used a sample frame of 220 organizations from which the sample was drawn. The respondents

were CBO officials. The organizations targeted were involved in different activities for instance Bee Keeping, Provision of water services, Dairy farming, table banking, health promotions, etc.

3.4 Sampling Design and Procedure

Mugenda & Mugenda (2003) observed that the purpose of sampling is to secure a representative group which will enable the researcher to gain information about an entire population when faced with limitations of time, funds and energy. The researcher used stratified sampling targeting only the management staff of the CBOs in the area. Since Baringo county has 6 Sub counties namely; Eldama Ravine, Mogotio, Baringo Central, Baringo North, Baringo South and Tiaty, 6 stratas were formed and samples drawn out of each using simple random sampling as per the proportion of each as computed using total population as the denominator. The total population was 220 as given in the sampling frame. The sample size was computed using the simplified formula delivered by Yamane (1967) for proportions where confidence level is 95% and $P \geq 0.5$ are assumed.

$$n = \frac{N}{1 + N(e)^2}$$

Where N is the population and e is the level of precision

A sample size of 142 resulted from the use of the above formula.

Proportional allocation was used to calculate various strata. The formula used is as follows:

$$(n/N)N_n$$

Where n = Population in a stratum

N = Total number of CBOs

N_n = Total number of the sample

Table 3.1 Sample Size

GROUP/SUB COUNTY	POPULATION	SAMPLE
Eldama-Ravine	74	48
Mogotio	31	20
Baringo Central	57	37
Baringo North	17	11
Baringo South	27	17
Tiaty	14	9
TOTAL	220	142

Source; Survey Data (2013)

According to Kombo and Tromp (2006), Simple random sample of some proportion can be selected and the samples yield research data that can be generalized to a larger population. The stratified sample did not only represent the overall population, but also key subgroups of the population. To ensure randomness, the random number method was used to number the population from 1 to N and n numbers were selected from the random table in a convenient systematic way devoid of human judgment.

3.5 Data Collection

Data was obtained only from primary sources using questionnaires. The questionnaires were mainly closed ended for ease of analysis.

3.5.1 Data Collection Instruments and Procedures

This study used questionnaires after pilot testing them for correctness and accuracy on 10 non-participatory respondent sample. Piloting was done in Solai division of Nakuru

county because similar gaps were noted as found in the capacity assessment report conducted by WVK. Questionnaires are used for obtaining important information about a given population. The questionnaires are advantageous in that they save on time, are confidential, have increased access to populations and eliminate interviewer bias (Kombo & Tromp, 2006). The questionnaires were self-administered and were dropped to the respondents then later collected. The benefits of using questionnaires is that it eliminates the interviewer bias, the respondents have adequate time to read through the questions and answer them and it is possible to manage a large samples (Kothari, 200).

3.5.2 Reliability and Validity of the Research Instruments

In research no two interviewers are alike and the same person (respondent) may provide different answers to different interviewers (Kombo & Tromp 2006). The manner in which a question is formulated can also result in inaccurate responses since individuals tend to furnish the interviewers with false answers to particular questions. This necessitates the need for reliable instruments to enable the researcher to extract accurate information from the respondent (Mugenda & Mugenda 2003) in order to maximize the reliability and validity of the data collected.

Reliability is the measure of the consistency of the results from the tests of the instruments. It is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. It is influenced by random error. Reliability of the research instrument was calculated using Cronbach's coefficient alpha for either even or uneven items based on the order of number arrangement of the questionnaire items. According to Fraenkel & Wallen (2000), as a rule of thumb, a proposed psychometric instrument should only be used if an α value of 0.70 or higher is obtained on a substantial sample. The following is the Cronbach's coefficient alpha formular which was used:

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

N is equal to the number of items, c -bar is the average inter-item covariance among the items and v -bar equals the average variance.

The study obtained a Cronbach Alpha value of 0.7913 from the pre-test prior to administration of the questionnaires which was above the recommended value of 0.70 implying that the accuracy level of the questionnaires was up to 79%. After ascertaining that the instrument was giving consistent results, it was adopted as the main tool used for data collection.

Validity is the accuracy and meaningfulness of inferences, which are based on the results. It is a measure of how well a test measures what it is supposed to measure. It is concerned with the accurate representation of the variables under study. It is influenced by systematic error in data. This was addressed in this study by good instrument design to reflect the research objectives and pre-testing the instruments (Borg & Gall, 1997).

3.6 Data Analysis and Presentation

Before the actual data analysis, data obtained through questionnaire was validated, edited and then coded (Mugenda & Mugenda, 2003). The returned instruments were scrutinized to determine correctness and accuracy. Data was analyzed using descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS).

Correlation analyses were used to measure the relationship between variables

Regression model was used to make predictions or inferences about the population from observations and analyses of a sample. The importance of this is that the results of the analysis using the sample can be generalized to the larger population. More specifically, the researcher used multiple regression model to establish if the relationship between the

independent variables and the dependent variables were statistically significant. The model is shown below:

$$y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$$

y= Financial control practices

x₁= Technical skills of CBO officials.

x₂= Internal control systems and budgeting

x₃= Bookkeeping.

x₄= Audits

e =error term.

The term “independent” variables and “dependent” variables are derived from the mathematical expression, when X_i (i=1, 4) are generally independent variables and the dependent variable, y is said to be the function of X_i (i=1, 2.....4) i.e. y=f (X_i). This means that the variation of y depends on X_i.

The regression coefficient ‘a’ is the Y intercept: while b₁, b₂, b₃, and b₄ are the net change in y for each change of x₁, x₂, x₃ and x₄. The error term is a random variable with a mean of zero, which captures those variables that cannot be quantified. The data was presented, analysed and interpreted using tables.

3.7 Ethical Considerations

The researcher first sought consent from the authorities in the area and the overall management of the CBOs to carry out the study. The authorities and the respondents were given the understanding that the findings were to be used to improve or strengthen the existing financial control practices and add to the body of knowledge for further

research by academicians. The identity of respondents giving information was made private and confidential to prevent any victimization.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSIONS AND PRESENTATION

4.1 Introduction

This chapter presents results arising from the analysis of data collected using questionnaires. The data collected was analysed using descriptive and inferential statistical methods for each variable and the findings presented in tabular summaries, and their implications discussed.

4.1.1 Response Rate

Table 4.1 shows the response rate of the questionnaires.

Table 4.1: Response Rate

No. of questionnaires Returned	Target respondents	No. of Response Rate (%)
134	142	94

The high questionnaire response rate (94%) shown in Table 4.1 resulted from the method of administration of the instrument, which was in this case researcher administered. This was acceptable according to Mugenda and Mugenda (2003). This method also ensured that the respondents' queries concerning clarity were addressed at the point of data collection; however, caution was exercised so as not to introduce bias in the process. 8/142 questionnaires were found to be unusable for the study; hence, their results were not included in the findings.

4.2 Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means, modes, medians and

standard deviations. The descriptive statistics helped to develop the basic features of the study and form the basis of virtually every quantitative analysis of the data. The results were presented in terms of the study objectives.

4.2.1 Demographic Characteristics of the Respondents

The study sought to determine the demographic characteristics of the respondents as they are considered as categorical variables which give some basic insight about the respondents. The characteristics considered in the study were; range of ages of the respondents; gender and highest level of education attained by them. The findings on these are summarized in Table 4.2

Table 4.2(a): Gender Characteristics by Age of the Respondents

		Gender by Age				Total
		19 -29	30 - 40 years	41 - 51 years	52 and above years	
Female	Frequency	9	22	17	8	56
	Percent (%)	6.82	16.67	12.88	6.06	42.42
Male	Frequency	19	32	16	9	76
	Percent (%)	14.39	24.24	12.12	6.82	57.58
Total	Frequency	28	54	33	17	132
	Percent (%)	21.21	40.91	25	12.88	100
Chi-square	2.5404					
d.f	3					
P-value	0.468					

The findings in Table 4.2(a) suggest that majority of the respondents were young persons aged between 30 and 40 years. The findings also show that there were more males than females in the CBOs management. However, in this study gender was not significant to age according to the computed Chi-square values. The study also sought to compare the gender characteristics of the respondents.

Table 4.2(b): Gender Characteristics by Education level of the Respondents

Gender by Education level						
	Certificate	Degree	Diploma	O-levels	Post graduate	Total
	18	12	11	13	2	56
Female	13.64%	9.09%	8.33%	9.85%	1.52%	42.42%
	16	21	22	16	1	76
Male	12.12%	15.91%	16.67%	12.12%	0.76%	57.58%
	34	33	33	29	3	132
Total	25.76%	25%	25%	21.97%	2.27%	100%
Chi-square	3.943					
d.f	4					
P-value	0.4138					

According to the findings in Table 4.2(b), most of the respondents were either degree or diploma holders. The findings also indicate that age was not significant to gender at 4 degrees of freedom. Further, the study also compared the gender characteristics of the respondents with work experience and obtained the findings summarized in Table 4.2(c).

Table 4.2(c) : Gender Characteristics by Work Experience

		Gender by Work Experience			
		0 - 5	11 years and above	6 - 10 years	
		years			
Female	Frequency	12	31	13	56
	Percent (%)	9.09	23.48	9.85	42.42
Male	Frequency	29	23	24	76
	Percent (%)	21.97	17.42	18.18	57.58
Total	Frequency	41	54	37	132
	Percent (%)	31.06	40.91	28.03	100
Chi-square	8.673				
d.f	2				
P-value	0.0131				

The results in Table 4.2(c) reveal that majority of the respondents (40.91%) had work experience in the CBOs spanning 11 years and above. However, the findings also show that there were more women than men with more years in terms of work experience in the CBOs. The Chi-square value indicated that gender was significant to work experience in this study.

4.2.2 Technical skills of CBO Officials and Financial Control Practices

The first objective of the study was to determine the influence of technical skills of the CBO officials on financial control practices in these organizations. This objective was realized by asking the CBO officials in the study area. Several questions were asked pertaining to their competence in terms of technical skills, specifically; all the CBO

officials in their organization had knowledge in financial controls; all CBO officials in their organization had attended any training in financial management in the past one year; the training facilitators were knowledgeable in the field; their CBOs had fully operational finance departments and; their CBOs had experienced finance personnel. Technical skills were defined in terms of competence, output and ability to handle more complex tasks. The status of technical skills of CBO officials was rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. The results on this are summarized in Table 4.3.

Table 4.3: Technical skills of CBO officials and financial control practices

Statements	SA freq (%)	A freq (%)	N freq (%)	D freq (%)	SD freq (%)	χ^2	P- Value
All CBO Officials have knowledge in financial controls	22(16.5)	73(54.9)	20(15.04)	14(10.5)	4(3)	108.5414	0.0001
All CBO Officials have attended training in financial management in the past one year	12(9)	46(34.6)	27(20)	37(27.8)	11(8.3)	35.3835	0.0001
The training facilitators are knowledgeable in the field of study	33(24.8)	68(51.1)	12(9)	13(9.8)	7(5.3)	95.384	0.0001
My CBO has a fully operational finance department	15(11.3)	68(51.1)	24(18)	19(14.3)	7(5.3)	86.3609	0.0001
My CBO has experienced finance personnel	13(9.8)	52(39.1)	33(24.8)	24(18)	11(8.3)	42.1504	0.0001

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

The results in Table 4.3 indicate that majority of the respondents thought that the training facilitators conducting training for the CBO officials in financial control were

knowledgeable in their field of study (25%). However, the findings also revealed that fewer CBO officials did attend training regularly in financial management (9%). The findings also indicate that few CBOs had experienced finance personnel. This implies that a lot still needed to be done to address the competence of the CBO staff as regards financial management specifically the financial control aspect if they were to achieve enhanced control of their finances.

4.2.3 Internal Controls Systems and Budgeting and Financial Controls Practices in CBOs in Baringo County

Determining the influence of internal control systems and budgeting on financial control practices in CBOs in Baringo County was the second objective of this study. In order to achieve this objective, the respondents were asked to respond to various questions describing the status of internal control systems and budgeting in their CBOs. In particular, they were asked if; cash for running their CBOs was withdrawn from its accounts only after express authorization had been issued; if they ensured that no official could individually perform a cash transaction on behalf of the CBOs, if the controls in place were adequate; if their CBOs operated with periodic budgets and if their organization experienced high budget variances in the last reporting period. Internal control systems were described in terms of their consistency, being tamper-proof and able to safeguard against misappropriation. The responses of this variable were rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.4

Table 4.4: Internal controls systems and budgeting and financial control practices

	SA	A	N	D	SD		P-
Statements	freq (%)	freq (%)	freq (%)	freq (%)	freq (%)	χ^2	Value
Cash is withdrawn only after authorization has been given	84(63.2)	46(34.6)	3(2.3)	0	0	74.0902	0.0001
No official can perform a cash transaction alone	92(69.2)	38(28.6)	2(1.5)	0	1(.75)	165.1353	0.0001
The controls in place are adequate	38(28.6)	65(48.9)	23(17.3)	5(3.8)	2(1.5)	101.0977	0.0001
My CBO operates with a periodic budget	27(20)	74(55.6)	26(19.6)	6(4.5)	0	75.0301	0.0001
My organization experienced high budget variances in the last reporting period	13(9.7)	45(33.8)	35(26.3)	24(18.1)	16(12.0)	26.812	0.0001

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Looking at Table 4.4, it can be observed that majority of the respondents were of the opinion that no official could perform a cash transaction alone (69%). This is substantiated by the finding that cash was withdrawn from the CBOs only after due authorization had been made (63%). It emerged that a good CBOs experienced high budget variances in the last reporting period (43.5%) although fewer CBOs operated

without periodic budgets. However, the finding also revealed that there was uncertainty on whether the financial control measures in the CBOs were adequate (22.5%). These findings imply that the practice of internal controls in the CBOs was mainly limited to controlling financial transactions but seemed to overlook the budgeting aspect of financial controls.

The CBOs need to be shown how to make reasonable budgets not jumbled ones. This is in line with Jowell, (2009) where he said a budget is not a wish-list but a carefully worked out plan for what a project will cost an organization. A budget is also a tool of control that will guide the management of an organization as they implement their activities (Jowell, 2009).

4.2.4 Influence of Bookkeeping on Financial Control Practices in CBOs in Baringo County

The study sought to determine the influence of bookkeeping on financial control practices in the study area. This objective was measured by asking the respondents to react to various statements describing bookkeeping in their CBOs. The statements were; our CBO updates its accounting records regularly, our CBO prepares timely financial reports, our CBO uses a standard accounting system and our CBO subscribes to the international accounting standards. The status of this variable was rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.5

Table 4.5: Bookkeeping and financial control practices

	SA	A	N	D	SD	χ^2	P-Value
Statements	freq (%)	freq (%)	freq (%)	freq (%)	freq (%)		
My CBO uses a standard accounting system	18(13.5)	56(42.1)	33(24.8)	19(14.3)	7(5.3)	53.4286	0.0001
My CBO subscribes to the international accounting Standards	8(6.0)	23(17.3)	30(22.6)	46(34.6)	26(19.5)	28.0902	0.0001
My CBO updates its accounting records regularly	33(24.8)	81(60.9)	10(7.5)	7(5.3)	2(1.5)	160.3459	0.0001
My CBO prepares timely financial reports	36(27.1)	76(57.1)	16(12.0)	4(3.0)	1(0.7)	143.1278	0.0001

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

According to the findings in Table 4.5, and taking strongly agree and agree as positive, it can be deduced that the CBOs updated the accounting records regularly (85.7%), thereby enabling them to make timely financial reports (84.2%). However, the reporting was non-standard (only 55.6%) and fewer CBOs subscribed to international accounting standards (23.3%). These findings suggest that while accountability was emphasized in the CBOs, standardization was not emphasized possibly due to the perceived lack of capacity of the CBO officials and lack of common reporting standards to all the CBOs in the country. A gap was noted and can only be filled with proper regulations as regards financial

reporting in CBOs. The financial accounting practices are based on various accounting and financial concepts that are universally accepted by the accounting profession as guidelines to enhance effectiveness of accounting systems as written by Swanson, Hunson & Ross, (1998). CBOs should thus abide by these.

4.2.5 Influence of Auditing on Financial Control Practices

The last objective of this study was to analyse the influence of auditing on the financial control practices in CBOs in Baringo County. To measure the influence of this objective, the respondents were asked to respond to several questions pertaining to auditing practices in their CBOs. The questions asked were whether their CBOs were audited annually; whether the CBOs used appointed supervisory committees for audit purposes; whether the CBOs performed well in their last audit, if the last audit recommendations had been fully implemented and if they thought that auditing played a big role in controlling the finances of the CBOs. The status of this variable were rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.6

Table 4.6: Auditing and financial control practices

	SA	A	N	D	SD		P-
Statements	freq (%)	freq (%)	freq (%)	freq (%)	freq(%)	χ^2	Value
Our CBO is audited annually	20(15.0)	59(44.4)	21(15.8)	27(20.3)	6(4.5)	58.2406	0.0001
Our CBO uses an appointed supervisory committee for audit purposes	18(13.5)	58(43.6)	24(18.1)	27(20.3)	6(4.5)	56.0602	0.0001
Our CBO performed well in the last audit	21(15.8)	46(34.6)	42(31.6)	21(15.8)	3(2.3)	46.3609	0.0001
The last audit recommendations have been fully implemented	22(16.5)	53(39.8)	32(24.1)	23(17.3)	3(2.3)	49.5188	0.0001
Audit plays a big role in controlling finances of the CBOs	52(39.1)	47(36.3)	17(12.8)	16(12.0)	1(0.7)	72.2256	0.0001

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

The results in Table 4.6 indicate that majority of the respondents strongly agreed that audit played a big role in controlling finances of the CBOs (39%). There was also a general agreement on three statements regarding the performance of their CBOs in audit, that is, the CBOs were audited annually and that they performed well in the last audit and that they had implemented the recommendations of the previous audit. This means

that the respondents had high regard for auditing although the non-compliant ones (40.6%) i.e those that were not audited annually are of great concern. This is because for good controls at least an organization should be subjected to an audit once a year.

4.2.6 Financial Control Practices in CBOs in Baringo County

Finally, the study sought to determine the nature of financial control practices in the CBOs in Baringo County. This was the dependent variable. This variable was measured by asking the respondents to respond to various statements describing the nature of financial control practices in their CBOs. Specifically, the questions asked were; whether there was adequate allocation of resources for all activities in their CBOs, if projects were completed in time according as per the planned budget, if the CBOs had accrued less debt in the last two years compared to the past and if there were fewer incidences of misappropriation of funds in their organizations. The status of this variable was rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.7

Table 4.7: Financial Control Practices

	SA	A	N	D	SD		P-
Statements	freq (%)	freq (%)	freq (%)	freq (%)	freq (%)	χ^2	Value
There is adequate allocation of resources for all activities in our CBO	10(7.5)	38(28.6)	35(26.3)	29(21.8)	21(15.8)	19.2932	0.0001
Projects are completed in time according to the planned budget	13(9.8)	68(51.1)	29(21.8)	20(15.0)	3(2.3)	94.1805	0.0001
Our CBO has accrued less debts in the last 2 years compared to the past	25(18.8)	59(44.4)	22(16.5)	16(12.0)	11(8.3)	53.7293	0.0001
There are fewer incidences of misappropriation of funds in our organization	42(31.6)	62(46.6)	6(4.5)	13(9.8)	10(7.5)	89.2932	0.0001

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

The findings in Table 4.7 show that most of the CBOs in the area were experiencing fewer incidences of misappropriation of funds within their organizations (78.2%). The findings also indicate that most of CBOs in the area had accrued less debt in the last two years compared to the past (63.2%). This could be resulting from the training in financial controls and also the systems they had put in place to limit their expenditure. However,

the respondents tended to disagree about the status of the resource allocations for the CBOs (37.6%) implying that the resources were not adequately allocated. These findings suggest the financial control practices in the CBOs were working though they only needed to be strengthened. On resource allocation the CBOs needed to be more careful during the planning stage where budgeting is done to ensure equitable distribution.

4.3 Inferential Statistics

To evaluate the relationships between the dependent and independent variables, correlation and multiple regression analysis was done and the findings presented in the following subsections.

4.3.1 Correlation Analysis

In this subsection a summary of the correlation and regression analyses is presented. It seeks to first determine the degree of interdependence of the independent variables and also show the degree of their association with the dependent variable separately. These results are summarized in Table 4.8

Table 4.8: Summary of Correlations

In this subsection a summary of the correlation and regression analyses is presented. It seeks to first determine the degree of interdependence of the independent variables and also show the degree of their association with the dependent variable separately. These results are summarized in Table 4.8

Table 4.8: Summary of Correlations

		Technical Skills	Internal controls	Bookkeeping	Auditing	Financial controls
Technical Skills	Pearson Correlation	1				
	Sig. (2-tailed)					
Internal controls	Pearson Correlation	.192*	1			
	Sig. (2-tailed)	0.027				
Bookkeeping	Pearson Correlation	.347**	.342**	1		
	Sig. (2-tailed)	0	0			
Auditing	Pearson Correlation	.363**	.174*	.318**	1	
	Sig. (2-tailed)	0	0.046	0		
Financial controls	Pearson Correlation	.478**	.220*	.268**	.435**	1
	Sig. (2-tailed)	0	0.011	0.002	0	

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

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

A correlation analysis to determine whether the technical skills of CBO officials had an influence on financial control practices of CBOs in Baringo County shows a relationship exists ($r = 0.478$, $\alpha = 0.01$). This suggests that since technical skills of the CBO officials

were important in improving financial control practices, they still needed to be enhanced through capacity building.

The correlation analysis to determine whether internal control systems and budgeting practices of the CBOs had a significant influence on financial control practices of CBOs in Baringo County shows a relationship exists ($r = 0.220$, $\alpha = 0.05$). This implies that a lot needs to be done on the internal control systems and budgeting as most of the CBOs do not emphasize on internal control systems and budgeting.

The study also sought to determine whether there existed a significant relationship between bookkeeping and financial control practices of CBOs in Baringo County. The correlation analysis shows that a relationship exists ($r = 0.268$, $\alpha = 0.01$). The relationship is low suggesting that it is no longer a factor of concern since the CBOs are already practicing it.

Finally, the correlation analysis to determine whether there was a significant association between Auditing and financial control practices of CBOs in Baringo County shows that a relationship exists ($r = 0.435$, $\alpha = 0.01$). These findings imply that more emphasis needed to be put on auditing practices in the CBOs in order to improve on their financial control practices.

It can therefore be concluded that all the variables were significant to the study problem although the degrees of influence varied.

4.3.2 Regression Analysis

Multiple regression analysis was used to determine the significance of the relationship between the dependent variable and all the independent variables pooled together. The

coefficient of determination r^2 adjusted = 0.296 hence showing that 29.6% of the total variations in financial control practices can be explained by Technical skills of CBO officials, Internal controls systems and budgeting, Bookkeeping and Auditing. This means that other factors not in the study accounted for 70.4%.

Table 4.9: Multiple Linear Regression Analysis Model Summary

Model	R	R Square	Adjusted R	
			Square	Std. Error of the Estimate
1	0.564 ^a	0.318	0.296	2.35195

- a. Predictors: (Constant), Financial control practices of CBOs
- b. Predictors: (Constant), Technical skills of CBO officials, Internal controls systems and budgeting, Bookkeeping, Auditing

Table 4.10 provides a summary of the multiple linear regression analysis correlation coefficients.

Table 4.10: Multiple linear regression results

A regression analysis was conducted with all the four components of financial control being taken as independent variables and the financial control practices as the dependent variable. P value is the probability of rejection, the decision criteria is reject H_0 if the P value is less than 5%, otherwise accept and the results tabulated below.

Summary of ANOVA – Based on Factors affecting financial control practices

Source of difference	Sum of squares	Df	Mean square	F _o	Sig.
Between groups	329.467	4	82.367	14.890	0.000 ^a
Within groups	708.052	129	5.532		
Total	1037.519	133			

Regression Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.235	1.126		2.874	0.005		
Technical Skills	0.255	0.06	0.347	4.27	0	0.806	1.241
Internal controls	0.116	0.095	0.095	1.223	0.224	0.875	1.143
Bookkeeping	0.027	0.092	0.024	0.29	0.772	0.77	1.298
Auditing Controls	0.193	0.054	0.285	3.546	0.001	0.824	1.213

a. Dependent Variable: financial control practices in CBOs

The ANOVA results of Table 4.10 indicate that there is a significant difference between means of factors influencing financial control practices in CBOs in Baringo County ($F_o = 14.890 > F_c = 2.37$; $\alpha < 0.05$; $df = 4, 129$; $p = 0.000$). The study therefore establishes that Technical skills, Internal control systems and budgeting, Bookkeeping and Auditing were factors influencing the financial control practices of the CBOs in the area. This means that these factors made a notable difference in the financial control practices of the CBOs in the area and could not be ignored.

From table 4.10 it can be deduced that Technical skills ($\beta = 0.347$) and Auditing ($\beta = 0.285$) are significant while Internal control systems and budgeting ($\beta = 0.095$) and Bookkeeping ($\beta = 0.024$) are not significant. This indicates that the dependent variable, financial control practices in CBOs in the area, would change by a corresponding number of standard deviations when technical skills of CBO officials or auditing change by one standard deviation. However, the results also indicate that bookkeeping practices had an insignificant effect on financial control practices in the regression model.

These findings imply that if technical skills of the CBO officials changed by 1 unit financial controls would change by 0.347 units if other factors remain fixed. This shows how important the technical skills are and human resource in general as regards financial control. If staffs are knowledgeable enough then they would influence financial control. The insignificance of bookkeeping can be attributed to awareness and the effort that CBOs have put over time since it is the most basic financial control factor. Consequently, it ceased to become a major concern. On the other hand, the insignificance of internal control system and budgeting meant that CBOs were only limited to cash controls and did not emphasize on other controls, budgeting included. Internal controls should be holistic in nature (Millichamp, 2000).

4.4 Hypotheses testing

Test of hypothesis $H0_1$: Technical skills of CBO officials have no influence on financial control practices of CBOs in Baringo County

The multiple regression analysis shows a significant relationship exists ($\beta = 0.347$, $\alpha = 0.05$; $p = 0.001$). This led to the rejection of the null hypothesis and implies that the management insists more in training technical skills of personnel in the CBO hence better financial management.

Test of hypothesis H0₂ : Internal control systems and budgeting have no significant influence on financial control practices of CBOs in Baringo County

Multiple regression analysis shows an insignificant relationship between internal control system and budgeting with financial control practices. The beta value is $\beta = 0.095$. This led to the acceptance of the null hypothesis. This means that either the CBOs only emphasized on cash controls and ignored other important controls or internal controls and budgeting are no longer a concern to them. But the findings shows concern as regards budgetary controls where 43% of CBOs reported to have had budget variances in the last reporting period.

Test of hypothesis H0₃ :Bookkeeping has no significant influence on financial control practices of CBOs in Baringo County

The result of the multiple regression analysis shows that is not significant hence not a factors of concern. Testing the model coefficients gave $\beta = 0.024$. This led to the acceptance of the null hypothesis. The insignificance of bookkeeping on financial control may be due to awareness of recording of transactions among CBOs where all agreed was adequate even though there were no common format.

Test of hypothesis H0₄ : Auditing has no significant influence on financial control practices of CBOs in Baringo County

The regression analysis shows a significant relationship exists between auditing and financial control practices of CBOs in Baringo County. Testing the model Coefficient gave, $\beta = 0.285$, and was found to be significant and thus led to the rejection of the null

hypothesis. These findings imply that auditing practices needed to be upheld in the CBOs in order to strengthen financial control practices.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes and concludes on the research findings as carried out. It presents the summary of the findings and the conclusions drawn from them, and lastly the recommendations. The implications of the research are discussed and suggestions made on areas of further study. Some useful recommendations for all the stakeholders are proposed by this study at the end of the chapter to enlighten and enable them to craft viable solutions with regard to the problem statement based on the research findings. The overall objective of this study was to analyze the factors influencing the financial control practices of CBOs in Baringo County. The specific objectives of the study were to: analyse the influence of technical skills of CBO officials; internal controls systems and budgeting; bookkeeping and auditing on financial control practices in Baringo County.

5.2 Summary of the Findings

Data analysis gave the following findings, which are summarized below as per the objectives:

5.2.1 Technical skills of CBO Officials and Financial Control Practices

The first objective of this study was to determine the influence of technical skills of CBO officials on financial control practices of CBOs in Baringo County. Data analysis and interpretation of questionnaire responses from the CBO officials in the area revealed that most of the CBO officials in the area had some knowledge in financial controls as they had on the job training where the trainers were indeed knowledgeable in the field of financial management. The findings also revealed that majority of the CBOs in the area had fully operational finance departments although the lack of fully operational financial

departments in the other CBOs in the area could, however, be attributed to lack of capacity to create and sustain one.

Technical skills were found to be correlated with financial control hence emphasizing on its importance in influencing financial control practices. This means that ignoring technical skills will jeopardize management of finances in CBOs. These findings agree with those of Vincent & Emil (2000) and also Wanyama (2005) who compared CBOs performance to the state as not having been as effective in service provision despite the advantages that they enjoy over the state as far as development is concerned. They attributed this to a number of factors chief among them being the technical skills of the CBO officials.

5.2.2 Internal Control Systems and Budgeting and Financial Controls Practices

The second objective was concerned with the influence of internal controls systems and budgeting on financial control practices of CBOs in Baringo County. Data analysed from the responses in the questionnaires indicated that the financial controls in the CBOs in the study area were adequate as officials were not permitted to perform any cash transactions alone. The study also found out that the officials could not be permitted to transact any financial business of their CBOs without any valid authorization. It was also established that majority of the CBOs were operating on periodic budgets and fewer CBOs in the area experienced high budget variances in the last reporting period. It emerged from the correlation results that there was a weak relationship between this variable and financial control practices ($r = 0.220^*$, $\alpha = 0.011$). The regression results also showed internal control systems and budgeting to be insignificant.

The overall implication of this was that CBOs were not emphasizing much on internal controls. From the findings there was uncertainty on whether the financial controls measures in the CBOs were adequate (22.5%). These imply that the practice of internal controls in the CBOs was mainly limited to controlling financial transactions but seemed to overlook the budgeting aspect of financial controls and other controls. the

insignificance of internal controls meant that CBOs were only limited to cash controls. It should be noted that internal controls are all systems of controls financial or otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records (Millichamp, 2000).

These findings are also consistent with those of Jowell (2009) who found out that development of credible budgets that are not out of pace with the planned activities has always been an area of challenge for some civil society organization. In fact CBOs were known to submit proposals with budgets way out of synchrony with the planned activities. The findings also agree with Kumar and Sharma (2011) who concluded that internal control did not mean only internal check or internal audit, but the whole system of control, financial and otherwise, established by the management in order to carry on the business of the company in an orderly manner, safeguard its assets and secure as much as possible accuracy and reliability of its records.

5.2.3 Influence of Bookkeeping on Financial Control Practices

The third objective sought to determine the influence of bookkeeping on financial control practices of CBOs in Baringo County. Data analysis and interpretation of questionnaire responses from the CBO officials in the area suggested that most of the CBOs in the area often prepared timely financial reports. The findings also discovered that majority of the CBOs accounting records were updated regularly and that slightly more than half of the CBOs in the area used standard accounting systems for reporting while majority did not subscribe to the IAS. This suggested that either the CBOs in the area were not necessarily required to standardize their accounting practices possibly due to lack of government or donor regulations. The regular updating of the accounting records of the CBOs by their staff enabled them to prepare timely financial reports.

The beta value of bookkeeping ($\beta = 0.024$), showed that it was insignificant implying that this was not a factor of concern at the moment though there was need to have the CBO financial reports standardized. Another reason for this was that fewer CBOs subscribed to international accounting standards (IAS) (23.3%) meaning that they had their own ways and rules of reporting. These findings contradicted those of Odindo (2009) who found that many CBOs in Kenya fail due to either lack of transparency and accountability in the use of project funds or lack of proper records on how the funds are used. But the results of the dependent variable questions revealed that 78.2% affirmed that there were fewer incidences of missappropriation of funds in their CBO meaning that at least there was an element of lack of transparency and accountability.

5.2.4 Influence of Auditing on Financial Control Practices

The study sought to establish the influence of auditing on financial control practices of CBOs in Baringo County. Data from the questionnaire responses revealed that majority of the respondents were in agreement that their CBOs were audited annually. This was good news but the remainder that were not being audited annually needs to be sensitized on the importance of having audits at least once in a year.

It was also revealed that majority of the CBOs had appointed supervisory committees who carried out the audit which cushioned them against malpractices being a substitute of audits. It was also noted that half of the CBOs in the area performed well in their last audit majority of them fully implementing the recommendations of their previous audits.

Correlation results suggested a moderate association between auditing and financial control practices. Regression results yielded a beta value that was significantly higher than zero implying that more emphasis needed to be put on auditing practices in the CBOs in order to improve on their financial control practices. The findings are in line with those in the WVK capacity assessment report (2013) which showed that some CBOs did not have well developed financial tracking system to enhance their performance

measurement. This underscores the role of auditing in making the entire financial activities of the CBOs tractable both in the short and long term. (Millichamp, 2000) also affirms that organizations should exercise stewardship when using the organization's resources and the work of audit will be to scrutinize the books to establish this. The process whereby the managers of a business account or report to the owners of the business is called stewardship accounting.

5.4 Conclusions

Based on the results of the study, it can be concluded that the technical skills of the CBO officials in the area played an important role in upholding good financial control practices. On the job training where the trainers were indeed knowledgeable in the field of financial management contributed significantly to the equipping the CBO officials in the area with knowledge in financial controls and needed to be strengthened especially with regard to spending priorities.

Study results also revealed that the financial controls of the CBOs in the study area were adequate and care was taken to ensure that no unauthorized financial transaction on behalf the CBOs took place. Majority of the CBOs operated on periodic budgets and as a result fewer CBOs in the area were experiencing high budget variances. Timely financial reports were prepared by CBOs although the quality of the reports could not be proved to be satisfactory since the users of those reports other than the officials did not take part in the research hence the complaint raised by WVK could not be verified. In addition to timely reporting, majority of the CBOs in the area regularly updated their accounting records. This variable was also found to be the most influential since other factors influencing financial controls in CBOs depended on it especially auditing.

It was found that two thirds of the CBOs in the area were audited annually although it is advisable that all such organizations needed at least an annual audit to track their performance. However, since most of the CBOs did not have the capacity to employ full time accounting staff they appointed supervisory committees to carry out the audit.

Hypothesis tests also revealed that Technical skills of CBO officials and auditing were significant factors influencing financial control practices while internal control systems and budgeting, and bookkeeping insignificant factors.

5.5 Recommendations

The following recommendations were drawn with regard to the study findings.

The technical skills of the CBO officials in the area needed to be strengthened especially with regard to spending priorities and all areas of financial control. CBOs should try as much as possible to have one member who is well trained in financial management to take an advisory role as regards financial management. Consequently, the CBO management should employ an accounting staff to oversee financial management. CBO officials can also chose to organize for bi annual or periodic trainings in financial management where they engage experts or financial management institutions to train them.

Emphasis need to be laid on the internal control systems and budgeting as most of the CBOs internal control systems and budgeting techniques have not reached the desired level. Therefore, stakeholders including donors and government need to provide more training for the CBO officials especially in budgeting techniques. Studies revealed that budgeting is an important planning and control tool hence cannot be a statement of mere estimates.

Standardized reporting should be stipulated by the government in order to make the financial activities of the CBOs tractable through sharing of information on an acceptable and common platform. The government can borrow a leaf from South Africa where manuals have been prepared to assist CBOs in financial management. These manuals contain templates and formats of financial reporting and recording transactions.

Auditing and monitoring should be routinely conducted to ensure policies are followed and plans executed in time. The state should provide free audit services to ensure the

projects are well managed since the beneficiaries are communities who are members of the public.

Finally, scholars in the field of accounting need to develop easier training modules to encourage CBO officials from the non-accounting professions to learn accounting and auditing with comfortably. Government or NGOs can also help CBOs by providing them with resources and management assistance (Keengwe 1998).

5.6 Suggestions for further study

The following areas are recommended for further research; the effects of regulations governing funding of CBOs on their performance, the influence of ICT on the financial performance of CBOs and a study involving a larger sample and incorporating other sectors related to the CBOS. This will enable more generalized conclusions on the factors influencing financial control practices in CBOs.

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APPENDIX I: Letter of Transmittal

Evans K. Koitaba,
Box 15331, 20100,
Nakuru.

16th August, 2013

The County Commissioner,
Baringo County
P.O. Box
Kabarnet.

Dear Sir/Madam,

RE: REQUEST TO CARRY OUT RESEARCH AMONG CBOS IN BARINGO COUNTY

I do request to be allowed to carry out the above research within the Community Based Organizations (CBOs) in Baringo County.

I am a post graduate student in Kabarak University -Student No. **GMB/NE/0748/05/12**, and currently taking an MBA course in Finance. I am doing a research on Factors influencing Financial Control Practices in Community Based Organizations (CBOS) in Baringo County. This research is to be conducted in the CBOs in the area and is for purely academic purposes; however, evaluation results may be made public after the completion of the study for future researchers and other relevant stakeholders to guide them in their work.

Every care will be taken in the data collection procedure to ensure that it is within ethical limits.

Thank you in advance for your cooperation.

Yours faithfully

Evans K. Koitaba,

Appendix II: Letter Of Introduction

KABARAK



UNIVERSITY

OFFICE OF THE DIRECTOR - NAKURU TOWN CAMPUS

P.O. Box 3270 Nakuru. Tel. 051-2215549 Fax 051-343012, Email - nakurutowncampus@kabarak.ac.ke

August 6, 2013

TO WHOM IT MAY CONCERN

Dear Sir/Madam

RE: EVANS K KOITABA – GMB/NE/0748/05/12


This is to confirm that the above is a bona fide student of Kabarak University registered for **Masters Degree in Business Administration**.

As part of the requirement for a Masters Degree in Kabarak University, he is required to undertake a research project. The student is currently pursuing a research work on, **Factors Affecting the Effectiveness of financial Control Practices in Community Based Organizations (CBOS) in Baringo County**.

The information awarded to them will be used for purpose of the research only and will be confidentially handled.

Any assistance accorded to them will be highly appreciated.

Yours faithfully


Kabarak University
Nakuru Town Campus
P.O. Private Bag 20157
Kabarak

DR MAINA WAIGANJO
DIRECTOR – NAKURU TOWN CAMPUS

Moral Code – “We purpose at all times and in all places, to set apart in one’s heart, Jesus as Lord” 1 Pet 3:15

Appendix III: Questionnaire for CBO officials

The questions below are for the purposes of finding out the Factors influencing Financial Control Practices in Community Based Organizations (CBOS) In Baringo County. Your opinions as reflected in this questionnaire are important to this study and are held in confidentiality. Therefore you are requested to fill this questionnaire in the most free and honest way possible.

Please tick the appropriate answers in the boxes provided and also write down the appropriate answers in the spaces provided. Do not write your name on the questionnaire. Thank you in advance for your time and cooperation.

Respondent No.....

Sub County.....

SECTION A: Background Information

1. Gender : Male Female

2. Age :19-29 30-40 yrs 41-51 yrs 52 and above

3. Highest level of education:

O-levels Certificate Diploma Degree

Post graduate

4. Designation.....

5. Work experience ;

0-5 yrs

6-10 yrs

11 yrs and above

SECTION B: How technical skills of CBO officials influences financial control practices

	SA	A	N	D	SD
All CBO Officials have knowledge in financial controls					
All CBO Officials have attended training in financial management in the past one year					
The training facilitators are knowledgeable in the field of study					
My CBO has a fully operational finance department					
My CBO has experienced finance personnel					

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

SECTION C: How internal controls systems and budgeting influences financial control practices

	SA	A	N	D	SD
Cash is withdrawn only after authorization has been given					
No official can perform a cash transaction alone					
The controls in place are adequate					
My CBO operates with a periodic budget					
My organization experienced high budget variances in the last reporting period					

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

SECTION D: How bookkeeping influences financial control practices

	SA	A	N	D	SD
My CBO uses a standard accounting system					
My CBO subscribes to the international accounting Standards					
My CBO updates its accounting records regularly					
My CBO prepares financial reports timely					

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

SECTION E: How auditing influences financial control practices

	SA	A	N	D	SD
Our CBO is audited annually					
Our CBO uses an appointed supervisory committee for audit purposes					
Our CBO performed well in the last audit					
The last audit recommendations have been fully Implemented					
Audit plays a big role in controlling finances of the CBOs					

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

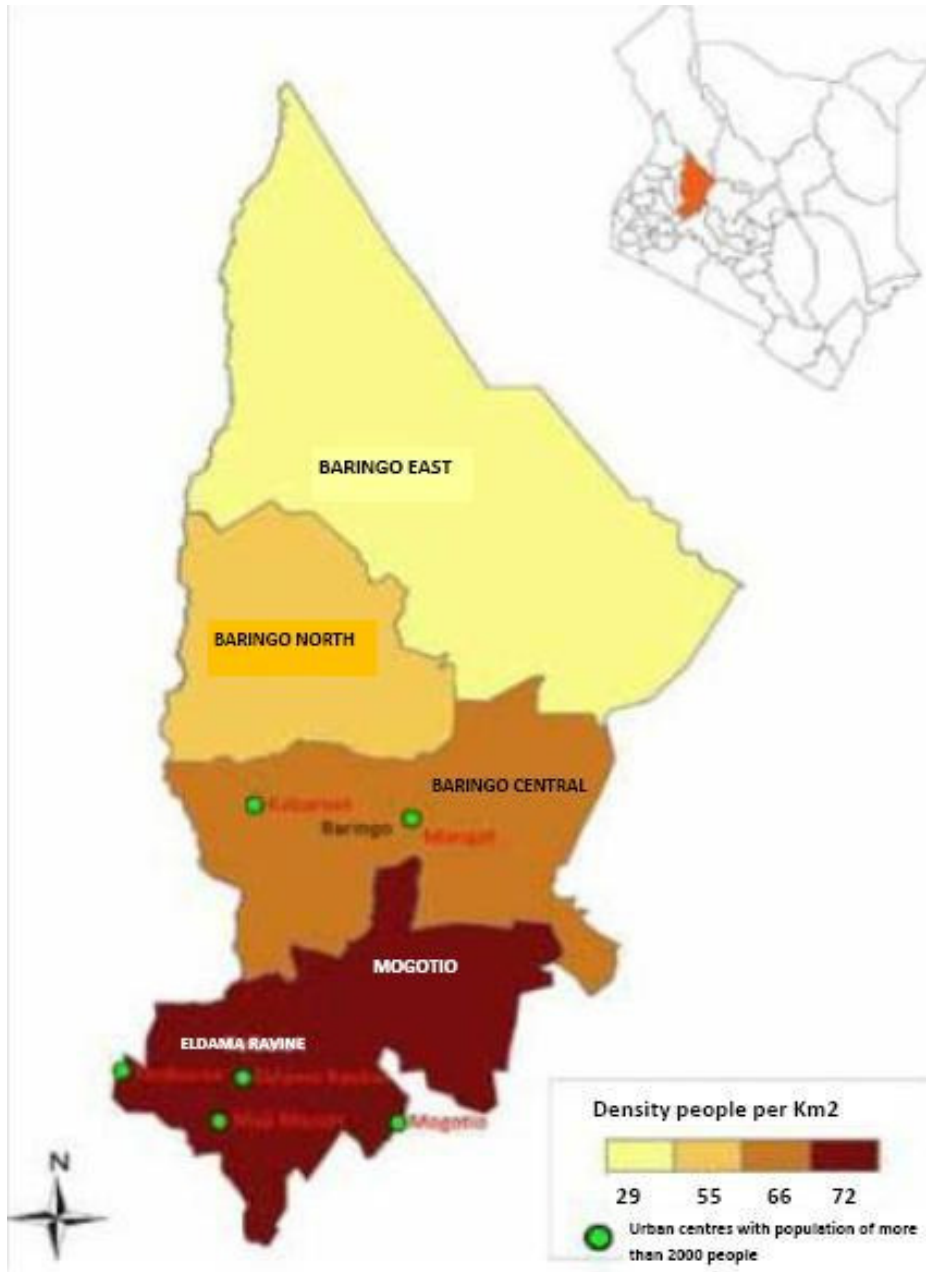
SECTION F: Financial Control Practices

	SA	A	N	D	SD
There is adequate allocation of resources for all activities in our CBO					
Projects are completed in time according to the planned budget					
Our CBO has accrued less debts in the last 2 years compared to the past					
There are fewer incidences of misappropriation of funds in our organization					

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Thank you for your time

Appendix IV: Map of Baringo County



Source: Kenya Mpya site

Baringo County is a county in Kenya. It has a Total Population of 555,561; 110,649 Households and covers an area of 11,015 SQ. KM. The Population density is 50 people PER SQ. KM and 58% of the population live below the poverty line.