



INFLUENCE OF INTERNAL CONTROLS ON CONSTITUENCY DEVELOPMENT FUND PERFORMANCE: A CASE STUDY OF GATUNDU SOUTH CONSTITUENCY

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Abstract: The CDF enacted by law in the year 2003 aimed at promoting equity and fairness through social economic empowerment of people in different constituencies in Kenya. CDFs in Kenya are an important tool for devolution and also for meeting the Millennium Development goals. Whereas a number of related studies have been conducted in the country, no published study focuses on internal control factors influencing CDF performance. The study sought to investigate the influence of internal controls on CDF performance with reference to Gatundu South Constituency. More specifically, the study sought to establish the effect of Segregation of Duties on CDF performance; examine the effect of Authorization and approval on CDF performance; assess the effect of Internal Audit on CDF performance; and to determine the effect of routine and automatic checks on CDF performance. This study took descriptive research design. The target population was the division in charge of Constituency Development Fund management that is the CDF implementation committee members across the four wards in Gatundu South Constituency. Both primary and secondary data were employed in the present study; whereby for the primary data, structured questionnaires were used while for the secondary data, the researcher obtained relevant Gatundu South Constituency reports and publications as well as records with a view to extract various indicators aimed at addressing the various research objectives. Data collected was analyzed by the use of both descriptive and inferential statistics. Findings reveal a positive correlation between each internal control element and CDF performance. The strongest correlation was obtained between Routine and automatic checks and CDF performance ($r = 0.798$) and the weaker relationship found between Authorization and Approval and CDF performance ($r = 0.436$). Internal audit and Segregation of Duties are also strongly and positively correlated with CDF performance at correlation coefficient of 0.716 and 0.708 respectively. All the independent variables were found to have a statistically significant association with the dependent variable at 0.01 level of confidence.

Key Words: Internal audit, Internal Controls, Duties, Authorization, Performance

Introduction

Internal control, According to organizational and accounting theories, a process affected by the structure of an organization, flows in authority and work, information systems in management and people. It is designed to assist an organization to accomplish specified goals and objectives (Bierstaker, 2010). It is a measure through which resources in an organization are directed, measured and monitored. Its role is to prevent and detect fraud and also protect the resources of the organization. An example is machinery and property and also the intangibles such as intellectual; property and reputation. In relation to the level of an organization, the objectives of internal control relates to financial report reliability, compliance with laws and regulations, and timely feedback on the achievement of strategic or operational goals. Based on the specific level of transaction, internal control are the actions undertaken in order to achieve a specified objective. An example is how to

ensure payments of an organization to third parties are in relation to valid services offered (Barrett, 2013).

Procedures used in internal control reduce process variation thus more outcomes that are predictable. Internal control is a major element of the Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes-Oxley Act of 2002, which required improvements in internal control in United States public corporations (PCAOB, 2010). Within a business entity, internal controls are referred to as business controls. Under the COSO Internal Control-Integrated Framework, which is a widely-used framework in the United States, internal control is a process effected by an entity's board of management, directors and other personnel and is designed to give a reasonable assurance in regard to the achievement of objectives in categories such as: financial reporting reliability, operations effectiveness and efficiency and compliance with the laws and regulations (Peel & Wilson, 2009).

Constituency Development Fund (C.D.F.) was presented and launched in Kenya in by the Kibaki government under the C.D.F. Act of that year. The aim was to reduce poverty at the grass root level through implementation of community based projects and also reduce the burden from members of parliament of funding for development projects (Mapesa & Kibua, 2006). Constituency Development Fund was the name given to the funds. This is because the funds were meant to implement development initiative level which on assumption is the lowest level of governance (Gikonyo, 2008).

Eremu (2008) agrees that CDF gives another source of financing development activities that are community based, which are managed at the sub county level by the members of the project committee. CDF operates or supplements other funds that are directed to the entities of the national government. In East Africa, the CDF has been introduced in Kenya and Uganda since 2003 and 2005, respectively and recently in August 2008, it was introduced in Tanzania. Introduction of CDF in Kenya was done through a motion in parliament by the MPs who were in opposition whose concern was that their constituencies had not been receiving funds for development thus the areas had poor infrastructure and social services. To them, introduction of CDF would enhance distribution of funds fairly and thus lead to a development that is even-handed in Kenya's 210 constituencies (Institute of Economic Affairs-IEA, 2006).

The objective of CDF was to enhance and create an improved living standard for people as well as create development in rural areas through financial resources devolution in the rural areas (CDF, 2013). CDF was also aimed as eradication of unequal resource allocation across regions in the country and therefore reducing inequality in development of regions which was brought about by skewed sharing of national cake (Mapesa & Kibua, 2006). The funds do not go through a rigorous bureaucratic process but are released directly to the constituencies. CDF therefore gives the communities at the grass root levels an opportunity to be part of administration through contributing towards identifying and contributing on the development priorities in the community. CDF is therefore a development tool where all stakeholders inclusive of the community are involved and thus empowering them and therefore allowing them manage development projects (Kimenyi, 2005).

Gikonyo (2008) describes that CDF creation agrees with the commitment of the country of bringing about services and growth nearer to the people through making sure that the people involved are directly involved in growth and more so in the agenda of development and its implementation CDF Act 2013 requires that there shall be a Constituency Development Fund Committee (CDFC) that is democratically constituted, responsible for the management CDF at the level of a constituency. After the appointment of the CDFC, the MP remains as an ex-official member and lacks the voting right as per the Act. The way in which the committee meetings are done is stipulated out in the Act

and the ward level. Prioritized projects are then handed to the County Project Committee (CPC) for more evaluation thus avoiding projects duplication and highlighting for monitoring. After the evaluation, the proposals are forwarded to the National CDFC board where approval and funding is done. After they are funded, they are to be implemented within the financial procedure which is existing within the government at the level of a sub-county (CDF, 2013).

There are various projects that the government has to accomplish all around Kenya among them are the maintenance of learning institutions, health centers, improving infrastructures, road maintenance, electrification and youth and women empowerment (GoK, 2004). Various countries have come up with different kinds of channels to ensure that there is a fair distribution of funds, one of them being the Constituency Development Fund which is used in Kenya. (IEA 2006; Mapesa & Kibua 2006). This demonstrates that if used well, there is great potential in a CDF to ease the needed developments at the local levels as well as address some inequalities that are existing in the country. Nevertheless, where it is not well implemented, CDF is capable of mismanagement entrenchment and inequality at the lower levels due to gaps in the CDF Act. As argued by various authors, CDF has mainly been used for self-gain on individuals as opposed to the benefit of local communities' development as was envisioned in the CDF Act (Awiti 2008; IEA 2006; Gikonyo 2008; Mapesa and Kibua 2006; Mwalulu and Irungu 2007).

CDFs in Kenya are an important tool for devolution and also for meeting the Millennium Development goals. However, the effective running of CDFs depends on the procurement performance as CDFs are entitled to procure for the needs of the constituency. According to a report on National Tax Association (NTA) (2014), KSH 293,082,531 had been allocated to the constituency since 2003/2004. KSH 4,300,000 of tax payers' money may have been wasted on badly implemented projects.

Whereas a number of related studies have been conducted in the country, no published study focuses on internal control factors influencing CDF performance. The present study set out to investigate the internal control factors influencing Constituency Development Fund performance in Kenya, with special reference to Gatundu South constituency.

The specific objectives of the study were:

- i. To assess the effect of Segregation of Duties on CDF performance in Gatundu South constituency
- ii. To establish the effect of Authorization and approval on CDF performance in Gatundu South constituency
- iii. To examine the effect of Internal Audit on CDF performance in Gatundu South constituency
- iv. To determine the effect of routine and automatic checks on CDF performance in Gatundu South constituency

Theoretical Review

Various theories support the understanding of internal control factors influencing CDF performance. The most prominent theory relevant to the present study include: Stewardship theory and the resource based theory Perspective.

Stewardship theory

Proposed by Donaldson and Davis (1991), the Stewardship theory indicates that there lacks an essential general problem if executive motivation. Lack of an inner problem of motivation among the

executives there exist a question on how far they can achieve corporate performance which is good and that which they aspire. Stewardship theory therefore indicates that variations in performance arise whether the structural situation where the executives are situated facilitates an effective action by the executives.

Donaldson and Davis (1991) noted managers are self-motivated and goal-oriented stewards in a firm. Further stewards are described as managers and executives who work, protect and make profits for the shareholders. They therefore work reasonably, diligently and honestly for the interest of the company and its owners. According to the theory, managers should therefore be granted freedom to act separately in carrying out the affairs of the firm so as to maximize the wealth of shareholders since if the firm fails, the blame is placed on the managers while the firm's success boosts the managers' morale thus providing them with bonuses and additional incentives. They therefore have to work more diligently to attain firm's success. On the other hand, managers may feel constrained if controlled by external directors, which may hinder their optimum performance.

The theory was developed as an antithesis or an alternate view to the agency theory (Davis, Schoorman & Donaldson, 1997). Instead of assuming that managers will act opportunistically in their self-interest and not the firm, the stewardship theory posits that management will perform in the best interest of the firm. In terms provided by Donaldson and Davis (1991), a steward is an individual who "essentially wants to do a good job, to be a good steward of the corporate assets." As such the principal empowers the steward with all relevant logistics, authority and information to act in the best and most productive interest of the firm thereby increasing its value. The controls employed by principals in the agency theory are lacking in the stewardship theory because proponents of the stewardship theory view controls as de-motivating to managers and may impair their ability to maximize firm's value (Audichap, 2013). However, most firms have not adopted this approach despite the upside potential provided by its proponents.

In the present study, the principals and stewards can be viewed from two points of view. First, the government, can be viewed as the principals, empowering the project Management Committee members with all the pertinent resources to go about implementation of projects in their respective counties. Secondly, the public can be conceptualized as the principals, empowering, by the election of the constituency government authorities (stewards) to be the custodians of the resources. In both cases, the stewards are entrusted with resources and are expected to be accountable in their management.

Resource based theory Perspective

RBV addresses a key question on why there is a difference in firms and how they can achieve a sustainable competitive advantage through resource deployment. The ideas are clearly not new. In the past 50 years, this topic has been developed through the contribution of management academics. For example, Selznick's (1957) whose idea of 'distinctive organization's competence' is associated to the RBV directly. Also, Chandler's (1962) who came up with the idea of 'structure follows strategy', as well as Andrews' (1971) proposal of an internal appraisal of strengths and weaknesses, brought about distinctive competencies identification. .

Penrose in 1959 founded the idea viewing a firm as a resource bundle. He argued that heterogeneity of services that are productive and available from its resources gives a firm its unique character. RBV is founded on the basis of a firm's resources heterogeneity. Wernerfelt (1984) recognized the significance of the perspective on resource as a new direction in the finance field. Wernerfelt (1984) stated that firm evaluation in terms of their resources could bring about insights that are different from the traditional perspectives.

Critical resources are the key focus in the model of resource dependency since they are essential for the survival and growth of an organization. An organization is therefore dependent on the external organizations and stakeholders for resources. Pfeffer and Salancik (1978) states three conditions that are used to define the importance of certain resources in an organization. Resource criticality is where the operations and functionality of an organization are discontinued, whether an organization has control over the resources in terms of their use and allocation, whether an organization can get an alternative resource source or how well the organizations controlling the resources do have a monopoly over the resources.

In the present study, the assets various constituencies are endowed with can be viewed as resources, which when effectively managed can give the respective governments, a competitive edge against other counties as regards socio-economic development thereof. Whereas different constituencies are differently endowed with different resources, it is the efficiency and effectiveness in the management of these assets that determine the returns.

Empirical Review

The researcher has discussed the four indicators that were measured to show the influence of internal controls on CDF performance in Gatundu South Constituency.

Segregation of Duties

Pandey (2011) defines Segregation of Duties (SoD) as the splitting up of several duties and responsibilities whereby an individual cannot carry out a process or record or complete a transaction from the start to the end without being checked by another person. A good example is in purchasing fixed assets of a company; one person should not authorize the purchase, place the order or receive the asset as well as record the transaction in the records of accounting. According to Sushma and Bhupesh (2010), in order to minimize error or intentional manipulation risk, different departments and individuals should perform the functions for practicability

Savedoff (2010) indicates that SoD is at the top in the mind of professionals from the managers involved in compliance to the officers at the level of execution. Increase in interest of SoD is because of the regulations driven worldwide and the accountability of the executive level for implementation to be successful. Nevertheless, as Peel and Wilson (2009) observe, the fundamental reason towards this regulations is more essential: individuals should not excessively have system access that may help them to execute transactions in an entire process of a business without balances and checks. Where this access is allowed, a lot of risk in the business is represented and management of these risks in an appropriate manner may seem difficult.

Pandey (2011) offers that SoD an essential internal control, which aims at ensuring that there is no single person that has an authority in the execution of two or more transactions that are conflicting and sensitive thus affecting the financial statements. Where sound approach and proper guidance lacks, implementation, remediation, testing and mitigation of SoD may become difficult to achieve. Though, an approach that is risk based can be used to make an effort of managing a company of a particular size.

Authorization and approval

Peel and Wilson (2009) define authorization as authority delegation and can either be specific or general. An example of general authorization can be through permitting an organization to spend funds from a budget that is approved. In a specific authorization, individual transactions require electronic

approval or a signature by a person who has approval authority. According Pagell and Krause (2013), transaction approval entails the approver reviewing the support documents thus getting a satisfaction that the transaction is appropriate, accurate and complies with the laws, policies, regulations and procedures applicable. Sushma and Bhupesh (2010) indicates that the approvers should a review on the documents that are in support of the transaction, question items that are unusual and ensure that information necessary is available in the justification of the transaction before signing it. Blank forms should not be signed.

According to Lamberson (2013), procedures and policies should identify clearly the persons that have the authority to approve transactions. The persons should have an understanding of what they are approving. First-hand knowledge by individuals about the transactions to be approved, and review of support information used in the verification of validity and propriety of transaction should be present. Lamberson (2013) is of the opinion that authorization for overtime, leave and work schedule change should be attained in advance and should be in writing. The documents used for adjustment should directly proceed for processing after they are approved by the supervisor. They are nor returned to the employee after falsifying.

Internal Audit

There have been dramatic changes in internal auditing and this has led to an expansion of its scope in such a way that it allows it to make contributions that are greater to an organization, which it serves It is also done in cultural and legal environments that are diverse.in an organization, which vary in size, purpose and structure as well as individuals who are in or out of the organization (Mungai, 2009). In addition, a professional in auditing walks a tightrope between serving as a consultant in management and also as a professional who is independent. A survey was done by the Malaysian Institute of Corporate Governance (MICG), The Institute of Internal Auditors Malaysia (IIAM) and Ernst and Young. It concluded that to reduce risk in a company, the internal auditors are placed best as management consultants thus understanding and appreciating the process of business. They therefore assist in running a company in a more efficient and effective way therefore increasing the value of the shareholders (Magee, 2010). In regard to systems in internal control, internal auditors should lead the business units as well as focus on the strategic objective of the business. An internal auditor requires that he establishes himself in as a vital cog in an organization instead of an observer who watches from the periphery and waits for the events to affect him (Lubabah, 2009).

Emerging issues on internal auditing include that of what is a proper and complete measure of practices in internal auditing? Barrett (2013) indicates that internal audit effectiveness can be described though it is difficult in terms of quantifying it, and in the final analysis, perception of auditees determines effectiveness. Management is an essential auditee of practices in internal auditing in a company's environment because practices in internal auditing effectiveness may be described through management expectations in regard to the practices. The expectations of the management is that the internal auditors will carry out the practice to a particular level that complies with Standards for the Professional Practice of Internal Auditors (SPPIA) which are currently known as Professional Practice Framework (PPF), since it can be easily described. Complying with SPPIA therefore indicates that the Internal Audit Department is effective.

Routine and automatic checks

The routine and automatic checks is a major factor that is used in determining the level of resources that are available and also the ease in which the funds in a community are used to carry out their objective. An example is poor policies in macro economies lead to increased interest rates, currency fluctuations and other conditions that make it difficult for organizational performance. Management forces are required in any efforts of improving the performance of CDF thus facilitating performance. Ideas, both traditional and those that are emerging are affected by routine and automatic checks (Pearce & Robinson, 2014).

Variation in the variables existing in the routine and automatic checks, such as legal, political and competitive environment leads to uncertainty in the environment (Pearce & Robinson, 2014). Where an organization responds to environmental uncertainty, it leads to superior performance. This can be done through technology adoption thus improved service delivery by an organization. A company's performance can also be affected by changes in economic situations (Priem *et al.*, 2010). Characteristics in the environment and organization strongly affect the ability to adopt strategically and constituency performance of funds.

Several previous studies indicate that the routine and automatic checks level of uncertainty has some impact on Performance. Davidsson *et al.*, (2013) states that the routine and automatic checks level of uncertainty affects performance of CDF regardless the strategy chosen and the operation context. These studies are dissimilar to other studies that find no relationship between the routine and automatic checks and CDF performance (Pagell & Krause, 2013) and no direct association between the environment and performance (Ross, 2014; Kibua, 2006). Different results of these studies provide an opportunity to further explore the relationship between the routine and automatic checks, manifested in competition level and changes in demand on CDF performance. The authors therefore argue that external environment influences performance of community development funds.

According to Kandula (2014), the solution to good CDF performance is a routine that is strong and automatic check. Further, he states that because of the difference in the environment, same strategies do not give similar results for different communities in the same country or in the same location. A strong and positive environment can make a community that is on an average to perform and achieve excellently, while a weak and negative environment may demotivate and end up with no achievement. Therefore a routine and automatic check has an active and direct role in CDF performance. Murphy and Cleveland (2013) indicate that research on routine and automatic check will contribute to the understanding of CDF performance. Mulwa and Nguluu (2003) contends that without considering the impact of routine and automatic checks, CDF functions may be counterproductive since the two are interdependent and a change in one will affect the other. Hence, the routine and automatic checks will affect its value thus high performance.

Conceptual Framework

According to Kothari (2010) the conceptual framework explains the relationship between the independent variables and the dependent variables. The former is presumed to be the cause of the changes while the former influences the latter. Mugenda and Mugenda (2003), advances that a conceptual framework is a graphical or diagrammatic presentation of the relationship between variables in a study. It helps the researcher see the proposed relationship between the variables easily and quickly. The following diagrammatic framework illustrates the associations among the study variables. Figure 2.2 presents a diagrammatic conceptualization of the independent and dependent

variables. From the diagram, the independent variables are segregation of duties, authorization and approval, internal audit and routine and automatic checks while the dependent variable is CDF performance.

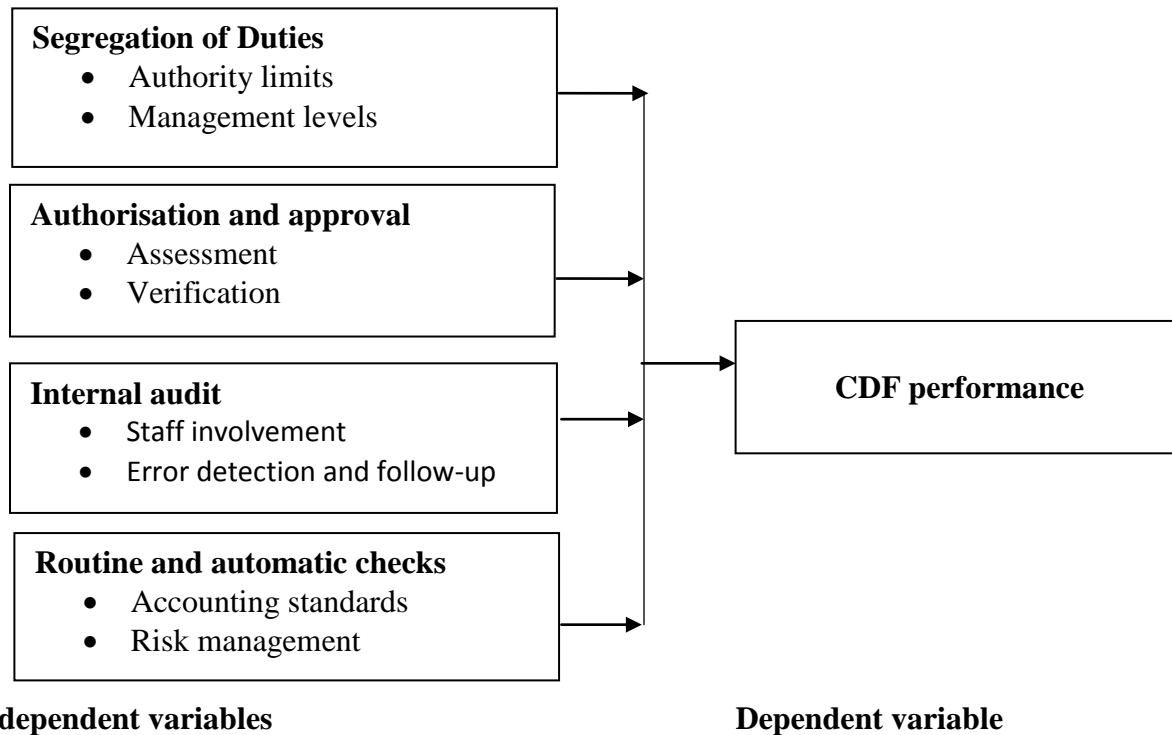


Figure 1: Conceptual Framework

Research Methodology

This study adopted descriptive research design. The target population was the division in charge of Constituency Development Fund management across the four wards. Pertinent secondary data was collected and observation made. The target population comprised the CDF implementation committee members across the four wards in Gatundu South Constituency.

Table 1: Target population

Ward	Population size	Percentage proportion
Ndarugu	9	18.7
Kiganjo	12	25.0
Kiamwangi	12	25.0
Ng'enda	15	31.3
Total	48	100.0

Both primary and secondary data were employed in the present study. In obtaining primary data, structured questionnaires were used while in obtaining secondary data, the researcher obtained relevant Gatundu South Constituency reports and publications as well as records with a view to extract various indicators aimed at addressing the various research objectives.

Data collected was analyzed using both inferential and descriptive statistics. Before completion of the analysis, the questionnaires that were completed were edited for consistency and completeness. Descriptive techniques employed the use of frequencies, percentages, mean and standard deviation. To make inferences, a multiple regression model and Pearson Correlation was used. The regression analysis took the model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where: Y= CDF Performance; α = Constant ; $\beta_1 - \beta_4$ = Beta coefficients ; X_1 = Internal audit; X_2 = Authorization and Approval; X_3 = Segregation Of Duties; X_4 = Routine and automatic checks; ϵ = Error term

Results and Discussions

The target population of this study was 48 CDF implementation committee members across the four wards in Gatundu South Constituency, which include Ndarugu, Kiganjo, Kiamwangi and Ng'enda. Out of 48 committee members, 44 responses were obtained. Mugenda and Mugenda (2003) assert that a 50 per cent response rate is adequate for analysis and making inferences, 60 per cent response rate is good and 70 percent and above response rate is excellent.

Descriptive Statistics

Descriptive statistics were presented to cover the dependent variable (CDF Performance) and the independent variables (internal audit, authorization and approval, segregation of duties and routine and automatic checks).

CDF Performance

The respondents were asked to respond to pertinent statements posed by indicating the level at which they agreed with the same, as applies in the area. Responses were given on a five-point Likert scale (where 1=Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree). The scores of 'Strongly Disagree' and 'Disagree' have been taken to represent a statement disagreed with by a majority of respondents, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement affirmed to moderately, equivalent to a mean score of 2.6 to 3.4. The score of 'Agree' and 'Strongly Agree' have been taken to represent a statement highly agreed with by a majority of respondents, equivalent to a mean score of 3.5 to 5.4.

Table 2: Descriptive Statistics for CDF Performance

CDF performance	Mean	Standard Deviation
CDF Project activities addressed the constituencies' objectives	4.351	.5360
CDF Projects have met Gatundu South Constituencies' objectives	4.361	.5137
CDF Projects have successfully addressed the needs of the people in Gatundu South.	4.313	.4976
CDF Projects directly involved the people of Gatundu South.	4.352	.5587
CDF Project outcomes were satisfactorily accepted by the people of Gatundu South.	4.351	.5645
There was timely completion of CDF projects	4.449	.4762
The CDF projects were in line with the constituencies' budget.	4.216	.5765
CDF Projects are sustainable in the long term	4.350	.4812
Grand mean	4.343	

With a grand mean of 4.316, a majority of respondents are found to highly agree with all statements posed as presented in table 4.7. More specifically, a majority of respondents highly agreed that CDF Projects have met Gatundu South Constituencies' objectives (4.361); CDF Projects have successfully addressed the needs of the people in Gatundu South (4.313); CDF Projects directly involved the people of Gatundu South (4.352); ensuring long term CDF project sustainability (4.350) as well as the timely completion of CDF projects (4.449). CDF performance means been able to start up and complete projects and goals in a constituency. For Gatundu South Constituency to be able to achieve those CDF projects and goals, it can be concluded that the study has adopted a variety of best practices which are key determinants in CDF performance, among which include Segregation Of Duties, Authorization and approval, Internal audit and Routine and Automatic Checks. Based on the high levels of agreements noted in the responses, it can be deduced that Gatundu South Constituency has overall, experienced significantly good CDF performance.

Segregation of Duties

The respondents were asked to respond to pertinent statements posed by indicating the level at which they agreed with the same, as applies in Gatundu South Constituency.

Table 3: Descriptive Statistics for Segregation of Duties

Statement	Mean	Std. Dev
A single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records	3.961	.7430
Different levels of management are given authority limits	3.851	.7579
Authority limit depends on the position, integrity, qualifications and competence	3.719	.8878
Transactions are carried out by persons independent from those who authorize the transactions	3.857	.7424
Officials authorizing/executing a transaction do not have custody to the assets arising out of the transaction	3.342	.7602
Grand mean	3.746	

A majority of respondents highly agreed with most statements posed with reference to Segregation of Duties in relation to CDF performance (3.746). A majority of respondents highly agreed that a single individual is not to authorize the purchase, place the order, receive the asset and record the transaction in the accounting records (3.961); Different levels of management are given authority limits (3.851); and that Authority limit depends on the position, integrity, qualifications and competence (3.719). A majority however only moderately agreed that Officials authorizing/executing a transaction do not have custody to the assets arising out of the transaction (3.342).

As such, Segregation Of Duties can be deemed adequate in Gatundu South attributed to the finding that according to a majority, a single individual is not to authorize the purchase, place the order, receive the asset and record the transaction in the accounting records; different levels of management are given authority limits; and that authority limit depends on the position, integrity, qualifications and competence.

The finding is in agreement with Mapesa and Kibua (2006) who argue that to minimize the risk of error and/or intentional manipulation of information, for every transaction, functions should be performed by different individuals as much as possible and practicable. The findings also agrees with Peel and Wilson (2009) who observe that the underlying reason for these regulations is more important: no individual should have excessive system access that enables them to execute transactions across an entire business process without checks and balances. Allowing this kind of access represents a very real risk to the business, and managing that risk in a pragmatic, effective way is more difficult than it seems. Accordingly, Pandey (2011) offers that SoD is a basic internal control that attempts to ensure no single individual has the authority to execute two or more conflicting sensitive transactions with the potential to impact financial statements.

Authorization and Approval

The researcher wanted to establish the effect of Authorization and approval on CDF performance. Respondents were required to respond to pertinent statements posed in this regard.

Table 4: Descriptive Statistics for Authorization and Approval

Statement	Mean	Std Dev
The CDF committee approves the constituency's systems of internal controls	4.052	0.5638
The CDF committee reviews actions in dealing with control weaknesses and verifies actions taken by CDF officials	3.693	0.9025
There is sufficient detail in control assessment reports for the CDF committee to understand the situation as regards internal controls	3.359	0.7295
Audit reports are timely enough so that the CDF committee are able to take appropriate action	3.719	0.6520
The CDF committee approves the scope of all internal activities that review internal controls	3.564	0.6892
Grand mean	3.677	

With a grand mean of 3.677, it was established that a majority of respondents highly agreed with most statements posed as regards Authorization and Approval in relation to CDF performance. More specifically, a majority of respondents highly agreed that the CDF committee approves the constituency's systems of internal controls (4.052); Audit reports are timely enough so that the CDF

committee are able to take appropriate action (3.719); the CDF committee reviews actions in dealing with control weaknesses and verifies actions taken by CDF officials (3.693); and that the CDF committee approves the scope of all internal activities that review internal controls (3.564). A majority however only moderately agreed that there is sufficient detail in control assessment reports for the CDF committee to understand the situation as regards internal controls (3.359).

It can thus be deduced from the foregoing finding that Authorization and approval is adequately practiced in the study area. Key practices observed in this regard include CDF committee approval of the constituency's systems of internal controls; timely audit reports; the CDF committee review of actions in dealing with control weaknesses and verifies actions taken by CDF officials as well as the CDF committee approval of the scope of all internal activities that review internal controls.

The finding is in tandem with Sushma and Bhupesh (2010) who offer that approvers should review supporting documentation, question unusual items, and make sure that necessary information is present to justify the transaction - before they sign it. Signing blank forms should not be done. The finding is also in line with Pandey (2011) who points out that authorization should be done by responsible persons. In other words a transaction that commits organization's resources should be subject to authorization and approval by a responsible official. Accordingly, Lazaridis and Dimitrios (2015) opine that approval authority is to be commensurate with the nature and significance of the transactions and in compliance with University policy. An appropriate level of management should approve and authorize all transactions over a specified limit, and authorization should require dual signatures.

Effect of Internal Audit on CDF Performance

The respondents were asked to respond to pertinent statements posed by indicating the level at which they agreed with the same, as applies in the study area.

Table 5: Descriptive Statistics for Internal Audit

Statement	Mean	Std. Dev
Internal audit staff is involved in discussions about appropriate CDF's internal controls	3.754	.7460
The CDF committee involves internal audit staff, and other internal control staff in CDF project implementation	3.662	.7602
The CDF committee considers and appropriately addresses technology issues in CDF project implementation	3.851	.7538
There are competent personnel to manage current and proposed CDF project activities in all areas	3.932	.7826
Internal auditors have been provided with adequate resources to manage the constituency's CDF project activities	3.716	.8974
Grand Mean	3.783	

With a grand mean on 3.783, it was established as observed in table 4.10 that a majority of respondents highly agreed with most statements posed. A majority were particularly in high levels of agreement with the view that there are competent personnel to manage current and proposed CDF project activities in all areas (3.932); CDF committee considers and appropriately addresses technology issues in CDF project implementation (3.851); Internal audit staff is involved in discussions about appropriate

CDF's internal controls (3.754); Internal auditors have been provided with adequate resources to manage the constituency's CDF project activities (3.716); and that CDF committee involves internal audit staff, and other internal control staff in CDF project implementation (3.662).

As such, it can be deduced from the findings that to a relatively large degree, the study area samples competent personnel to manage current and proposed CDF project activities in all areas; technology issues in CDF project implementation are adequately addressed by the CDF committee; Internal auditors are furnished with adequate project implementation resources and involved in discussions about appropriate CDF's internal controls.

The finding is in congruence with a survey done by the Malaysian Institute of Corporate Governance (MICG), The Institute of Internal Auditors Malaysia (IIAM) and Ernst and Young which concluded that internal auditors are best placed to understand and appreciate the business processes of a company and they act as management consultant to reduce risks. Internal auditors also help run a company more efficiently and effectively to increase shareholders' value (Peng, 2012). The finding also agrees with Mapesa and Kibua (2006) who offer that internal auditors also need to establish themselves as vital cogs in their organizations, rather than as observers who watch from the periphery and wait for events to impact them.

Routine and Automatic Checks

The respondents were asked to respond to pertinent statements posed by indicating the level at which they agreed with the same, as applies in the study area.

Table 6: Descriptive Statistics for Routine checks and approvals

Statement	Mean	Std. Dev
There are routine checks to ensure constituency's Authorization and Approvals properly manage and report CDF project transactions in accordance with the proper accounting standards	3.961	.7430
There are routine checks to ensure appropriate and sufficient reports are produced for proper CDF project implementation and control	3.651	.7579
There are routine checks to ensure the constituency's Authorization and Approval is able to identify whether all risk taking CDF project activities are within the constituency s policy guidelines	3.854	.7460
There are routine checks to ensure a single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records	3.832	.7826
There are routine checks to ensure Transactions are carried out by persons independent from those who authorize the transactions	3.942	.7602
Grand mean	3.848	

With a grand mean of 3.848, a majority of respondents were found to highly agree with most statements posed pertinent to establishing the effect of Routine and automatic checks on CDF performance in the study area. More particularly, a majority of respondents highly agreed that there are routine checks to ensure constituency's accounting system properly manage and report CDF project transactions in accordance with the proper accounting standards (3.961); there are routine checks to

ensure transactions are carried out by persons independent from those who authorize the transactions (3.942); there are routine checks to ensure the constituency's Authorization and Approval is able to identify whether all risk taking CDF project activities are within the constituency's policy guidelines (3.854); there are routine checks to ensure a single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records (3.832); and that there are routine checks to ensure appropriate and sufficient reports are produced for proper CDF project implementation and control (3.651).

It can thus be deduced from the foregoing finding that Routine and automatic checks is adequately practiced in the study area. Key practices observed in this regard include routine checks aimed at ensuring among others, constituency's Routine and automatic checks properly manage and report CDF project transactions in accordance with the proper accounting standards; a single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records; appropriate and sufficient reports are produced for proper CDF project implementation and control; and that transactions are carried out by persons independent from those who authorize the transactions.

The finding is in line with Saved off (2010) who offers that any effort to diagnose and improve CDF performance requires an understanding of the management forces that can facilitate or inhibit that performance. Both traditional and emerging notions of CDF performance are influenced by the routine and automatic checks. Accordingly, Pearce and Robinson (2014), opine that variation in the variables existing in the routine and automatic checks, such as political, legal and competitive environment causes environmental uncertainty. They add that it is believed that superior performance is assured when an organization responds to environmental uncertainty; this can be done through constant adoption of technology to facilitate an organization in improving its service delivery.

Pearson Correlation Analysis

Table 7 presents the Pearson correlations for the relationships between the various internal control factors and CDF performance in Gatundu south constituency.

Table 7: Pearson Correlation Matrix

	CDF performance	Segregation Of Duties	Authorization and Approval	Internal audit	Routine checks and approvals
CDF performance	1				
Segregation Of Duties	.708	1			
Authorization and Approval	.436	-.724**	1		
Internal audit	.716**	-.485**	-.115	1	
Routine checks and approvals	.798**	.650**	-.300	.692**	1

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

From the findings, a positive correlation is seen between each internal control element and CDF performance. The strongest correlation was obtained between Routine and automatic checks and CDF performance $r = .798$, $P < 0.001$ and the weaker relationship found between Authorization and Approval and CDF performance ($r = .436$). Internal audit and Segregation of Duties are also strongly and positively correlated with CDF performance at correlation coefficient of .716 and .708 respectively. All the independent variables are found to have a statistically significant association with the dependent variable at 0.01 level of confidence.

Regression Analysis

To establish the degree of influence of the internal control factors and CDF performance, regression analysis was conducted among the variables, with the assumption that: variables are normally distributed to avoid distortion of associations and significance tests, which was achieved. as outliers were not identified; a linear relationship between the independent and dependent variables for accuracy of estimation, which was achieved as the standardized coefficients were used in interpretation.

The regression model was as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where: Y= CDF Performance; α = Constant; $\beta_1 - \beta_4$ = Beta coefficients; X_1 = Segregation of Duties; X_2 = Authorization and Approval; X_3 = Internal audit; X_4 = Routine and automatic checks; and ϵ = Error term.

Regression analyses produced the coefficients of determination and Analysis Of Variance (ANOVA). Analysis of variance was done to show whether there is a significant mean difference between dependent and independent variables. The ANOVA was conducted at 90% confidence level.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865 ^a	.748	.720	1.94285

a. Predictors: (Constant), Segregation Of Duties, Authorization and Approval, Internal audit, Routine and automatic checks

The result showed a coefficient of determination value R square = 0.748 which depicts that a strong linear dependence between all the internal control factors and CDF performance. With an adjusted R-squared of .720, the model shows that Segregation of duties, authorization and approval, internal audit, and routine and automatic checks collectively explain 72.0% of the variations in the CDF performance while 28.0% is explained by other factors not included in the model.

Table 4. 1: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	402.892	4	100.723	28.908	.000 ^a
	Residual	135.888	39	3.484		
	Total	538.780	43			

a. Predictors: (Constant), segregation of duties, authorization and approval, internal audit, routine checks and approvals

b. Dependent Variable: CDF performance

The analysis of variance is used in examining whether the model is a good fit of the data. The F-calculated (28.908) was greater than the F-critical (2.29) and the p-value (0.000) was less than the significance level (0.05). This implies that the model was a good fit for the data and hence was appropriate in predicting the influence of the independent variables (segregation of duties, authorization and approval, internal audit, routine checks and approval) on the dependent variable (CDF performance).

Table 9: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.326	0.084		15.787	0.000
Segregation of Duties	0.610	0.208	0.099	2.933	0.000
Authorization and Approval	0.336	0.122	0.353	2.754	0.005
Internal audit	0.835	0.217	0.421	3.848	0.000
Routine and automatic Checks	0.976	0.205	0.205	4.761	0.000

a. Dependent Variable: CDF performance

From the findings, the regression model changes to;

$$Y = 1.326 + 0.610X_1 + 0.336X_2 + 0.835X_3 + 0.976X_4 + e$$

The results show that segregation of duties has a positive influence on CDF performance in Gatundu South Constituency as indicated by a beta coefficient of 0.610. Since the p-value (0.000) was less than the significance level (0.05) the association was significant. The results also show that authorization approval has a positive influence on CDF performance in Gatundu South Constituency as indicated by a beta coefficient of 0.336. The p-value, which was 0.005, was less than the significance level (0.05) and hence the influence was significant.

In addition, the results show that internal audit had a positive influence on CDF performance in Gatundu South Constituency as indicated by a beta coefficient of 0.835. Since the p-value (0.000) was less than the significance level (0.05) the association was significant. Also, the results show that routine and automatic checks have a positive influence on CDF performance in Gatundu South Constituency as indicated by a beta coefficient of 0.976. The p-value, which was 0.000, was less than the significance level (0.05) and hence the influence was significant.

Conclusion

Based on the foregoing study findings, the following conclusions were drawn. The study area has adopted a variety of best practices which are key determinants in CDF performance, among which include Segregation of Duties, Authorization and Approval, Internal audit and Routine and Automatic Checks. Based on the high levels of agreements noted in the responses, it can be deduced that the study area has overall, experienced significantly good CDF performance.

The strongest correlation was obtained between Routine and automatic checks and CDF performance and the weaker relationship found between Authorization and Approval and CDF performance. Segregation Of Duties can be deemed adequate in the study area attributed to the finding that according to a majority, a single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records; current CDF committee operations are benchmarked against the internal accounting standards and best practices; different levels of management are given authority limits; and that authority limit depends on the position, integrity, qualifications and competence of individuals.

It can also be deduced from the foregoing findings that Authorization and approval is adequately practiced in the study area. Key practices observed in this regard include CDF committee approval of the constituency's systems of internal controls; timely audit reports; the CDF committee review of actions in dealing with control weaknesses and verifies actions taken by CDF officials as well as the CDF committee approval of the scope of all internal activities that review internal controls.

The study further deduces from the findings that to a relatively large degree, Gatundu South Constituency samples competent personnel to manage current and proposed CDF project activities in all areas; technology issues in CDF project implementation are adequately addressed by the CDF committee; Internal auditors are furnished with adequate CDF project implementation resources and involved in discussions about appropriate CDF's internal controls. It can further be deduced that Routine and automatic checks is adequately practiced in the study area. Key practices observed in this regard include routine checks aimed at ensuring among others, that the constituency properly manage

and report CDF project transactions in accordance with the proper accounting standards; a single individual is not authorize the purchase, place the order, receive the asset and record the transaction in the accounting records; appropriate and sufficient reports are produced for proper CDF project implementation and control; and that transactions are carried out by persons independent from those who authorize the transactions.

The study finally concluded that among the internal control factors significantly determining CDF performance in the study include segregation of duties, authorization and approval, internal audit and routine checks and approvals,.

Recommendations

From the findings, the study shows that internal controls influence CDF performance and recommends that the management of CDF of Gatundu South Constituency should implement internal controls, which are: Segregation of Duties, authorization and approval, internal audit and finally Routine and automatic Checks which will influence CDF performance. This will help them achieve CDF performance and will allow successful implementation of CDF projects. Top management in CDF committee must demonstrate their willingness to give energy and loyalty to the implementation process for the project to succeed.

The findings also show that CDF performance is all about successful implementation of projects which is intended to assist the constituents. The Major beneficiaries of the CDF and its performance are the members of Gatundu South constituency. Hence, these projects should be completed in time and should be long term so as to assist even the future generations to come. There is need for the CDF committee members to have clear individual responsibilities and authority limits pertaining to CDF performance and project implementation as it was revealed that individual responsibility influences the performance of Constituency Development Fund performance in Gatundu South to a great extent.

Suggestions for further studies

Taking into account the limitations of this study, it will be important to extend this research to other constituencies in order to establish that the challenges identified are not unique to Gatundu South constituency. Another suggestion for further studies would be getting to know the Influence of CDF projects on community empowerment in Gatundu South Constituency.

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