INTERNAL CONTROL SYSTEM AND FINANCIAL PERFORMANCE OF GARISSA WATER AND SEWERAGE COMPANY IN GARISSA COUNTY, KENYA

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ABSTRACT

Water companies play a vital role in supplying the clients/citizens with the right quantity and quality of water and related services. However, according to water companies key performance indicators, Kenya's best score fell 20 points from 183 in 2016/17 to 163 in 2017/18. The fact that just 24% of utilities received a 50 percent grade is cause for worry in the water industry, as the legislation demands that all utilities with a license be financially viable. Garissa Utility Company was among the three worst performing utility with 16 points from a possible 200 points. Gawasco reported increase in operations and maintenance costs from 26.7M in FY 2014-2015 to more than 30M and 35M in the FY 2016-2017 and FY 2017-2018 respectively. The trend in the level of risks handling, monitoring procedures and policies is worrying. The goal of this research was to see how the internal control system affected Gawasco Ltd's financial performance. The specific objectives were to identify the impact of the internal control on Gawasco Ltd's financial performance in Garissa County, Kenya; the impact of management control on Gawasco Ltd's financial performance in Garissa County, Kenya; the impact of communication and information on Gawasco Ltd's financial performance in Garissa County, Kenya; and the impact of risk evaluation on Gawasco Ltd's financial performance in Garissa County, Kenya. The study was informed by the theories of agency, stewardship, and institution. The approach employed was descriptive research. Employees of Garissa Water and Sewerage Company Limited were the focus of the investigation. The study used census data since the population was tiny. Questionnaires were used to collect primary data, which was then evaluated using qualitative and quantitative methods. Tables and figures were used to create descriptive and inferential statistics, which were then presented. The results of the study revealed that the control environment has a statistically significant impact on Garissa Water and Sewerage Company's financial performance (= 0.716, P = 0.001). It was also shown that control efforts had a statistically significant impact on Garissa Water and Sewerage Company's financial performance, as evidenced by (= 0.338, P = 0.007). Furthermore, information and communication were shown to have a statistically significant impact on Garissa Water and Sewerage Company's financial performance (= 0.411, P = 0.010). The study also discovered that risks assessment has a statistically significant impact on Garissa Water's financial performance. Finally, monitoring activities were found to have statistically significant influence on financial performance of Garissa Water and Sewerage Company as shown by (β = 0.741, P = 0.003). Based on the findings, the study recommends Garissa Water and Sewerage Company to diversify their control measures related to authorization of transactions (control activities) and compliance level (control environment). These could be done through assigning duties to individual employees based on their competence and training. The results could also be improved through successful customer service plans, which will identify both their "at risk" and most valuable clients.

Key words: Control environment, Financial performance, Control activities, Information and communication, Risk assessment, Monitoring activities

INTRODUCTION

The water industry faces an increasingly difficult future in terms of financial performance, which was the driving force behind the creation of water firms following the passage of the Water Act of 2002(WASREB Impact Report, 2014).The basic goal of water corporations is to offer safe drinking water and sewage services to inhabitants in their service regions while remaining financially viable and according to regulatory laws (Nguthu, 2017). To fulfill the aforementioned function, these firms' management must guarantee that internal control mechanisms are effective, and that available resources are wisely employed to maximize the value of resources provided to them (WASREB Impact Report, 2019). Management should then create operational data with which to assess their operation's efficiency and effectiveness. The ability to give reasonable confidence to interested parties that their organization is successfully governed and that the data they accumulate is accurate, complete and trustworthy is a basic component of management stewardship duty (Yusuf & Achayo, 2017).

Clean water and sufficient sanitation are universal catalysts for socioeconomic and human progress, increasing mother and child safety, females' education, economic efficiency, and environmental sustainability, among other things (PEP, 2016; UNDP, 2017). Water services have traditionally been provided by governments through various agencies, which include ministries, departments, state companies, and local government agencies, owing to the fact that water is a public service and an essential aspect of human rights (Gia & Fugelsnes, 2010; UNDP, 2017).

Despite the challenges of comparing the performance of different water companies in developed economies, Global Water Intelligence (GWI) (2018) has combed through the available data to create six points of meaningful comparison: water quality, water and wastewater charges to customers, customer service, wastewater treatment quality, total service cost per person, and non-revenue. In terms of the most significant service metrics, the water industry in England and Wales has surpassed that in France, Ireland, Italy, and Spain since 1990. The water sector in the United Kingdom is either the best performer or the most improved in five of the six categories. England and Wales is the second best performing in the sixth category, sewage treatment quality. Germany's water industry provides a service of comparable quality to that of England and Wales. It does so, however, at a higher cost (GWI, 2020). On a like-for-like basis, German prices are roughly 12% more than those in England and Wales. There is a strong case can be made that the regulated system in England and Wales provides the best value for money of any utility industry.

In Sub-Saharan Africa, access to water and sanitation remains below the universally-accepted rate despite significant increase during the 1990s. Access to improved water supply climbed from 49% in 1990 to 60% in 2018, while access to improved sanitation increased only from 28% to 31% during the same period (WHO, 2019). By 2015, however, the percentages of the people in the region without access to water and sanitation were anticipated to remain higher than the MDGs (Wanjara, 2014). In Kenya, significant reforms in water sector were implemented in 2002. The reforms were implemented to resolve the shortcomings in policy, regulation and service delivery

faced in the sector (Mwakimasinde, Odhiambo, & Byaruhanga, 2014). The revisions were driven by over half the Kenyan population's lack of access to clean water, despite various initiatives (WASREB, 2019).

The sector's finance structure was recognized as a significant shortcoming in the supply of water services (Nguthu, 2017). Poor water management has resulted to low financial performance, incapacity for water companies to hire and keep skilled personnel, high levels of unaccounted water and low income collection, corruption, and poor job distribution (RoK, 2016). Water utilities failed to consider financial viability in their operations, failing to adopt cost recovery rates and neglecting water infrastructure that became too expensive to operate, depleting their capital base (Mukopi & Iravo, 2015).

These challenges led to water-services reforms, as outlined in Water Act of 2002 (WASREB, 2019). In accordance to this Act, Water Services Providers (WSPs) are required to be legally owned independently managed and professional companies. Other reforms were decentralization of water provision services, finances and organizational management to local authorities and the institutionalization of water funding services through the establishment of the Water Services Trust Fund (WASREB, 2019). The reforms made by the Kenyan government echoed structural changes in water sectors in other African countries, all led by the Millennium Development Goals of improving access to suitable and dependable water services (Magara, 2013).

Notwithstanding the government's attempts to increase access to appropriate and dependable water services, water utility firms continue to face considerable financial inefficiencies (Magara, 2013). Only four out of fifteen water service providers (WSPs) were able to meet their financial performance (WASREB, 2019). Furthermore, most WSPs had ineffective management structures, performance goals, processes, and procedures, as well as ineffective revenue collection methods, and hence were uncluttered in the face of economies of scale (WASREB, 2019). Water service providers' financial performance is evaluated depending on water coverage, drinkable water quality, delivery times, reduction in quasi water, and metering ratio, according to the Water Services Regulatory Agency (2019). Additional elements to examine are employee productivity, revenue generation effectiveness, O+M expense coverage, and human expenditure as a percentage of O+M expenses (WASREB, 2019).

Based on data compiled by WASREB on financial performance evaluation of water utilities in the country for the year 2017/18, Nyeri and Ruiru-Juja were in first position with 163 points out of 200. Samburu on the other hand, was the lowest-ranking utility with 5 points out of 200. The highest score fell from 183 points in the previous year (2016/17) to 163 points (2017/18). This shows decline in financial performance of water utilities; the industry therefore needs to be concerned by the fact that just 24 percent of the utilities have a 50% score, as the legislation demands that all licensed utilities be financially viable. Garissa Utility Company was among the three worst-performing utilities, scoring 16 points out of a possible 200. Due to Garissa Drainage and Sewer Company's poor financial performance, research study looked into the effect of internal control systems on the company's finances.

In Kenya, the most disadvantaged populations continue to have limited access to water services (Nguthu, 2017), example being Garissa. Although investments from both the local public sector and foreign assistance organizations have improved the sector, more needs to be done to improve water service delivery in Kenya. Interventions to promote participation, effectiveness, transparency, individual, household, group, institutional, and organizational responsibility are all necessary methods (Avika & Hari, 2018). Keraro (2014) as cited by Jones, Goodwin and Jones (2017) argued that all elements to consider are strengthened in the implementation of these techniques by enhancing internal control system (ICS).

Water companies are wholly owned companies of the county government and their activities are regulated by the 2002 Water Act, and also operate under a board of regulators. The water companies work under the different Water Service Boards they are listed under. Their ultimate goal is to provide people with clean water and sewerage facilities in their jurisdictional areas in a manner that is financially viable and within government regulations.

According to the financial reports obtained from Gawasco Reports 2015 to 2018, there is evident declining trend revenue collection efficiency evidenced in the decline of revenue 11.029M in 2014-2015 financial year to -4.540M in the financial year 2015-2016. Gawasco reported increase in operations and maintenance costs from 26.7M in FY 2014-2015 to more than 30M and 35M in the FY 2016-2017 and FY 2017-2018 respectively (Gawasco Reports 2018-2019). Garissa Utility Company was among the three worst performing utility with 16 points from a possible 200 points. Groundwater cover, water control, supply times, non-revenue wastewater reductions, meter ratio, revenue generation performance, O+M, and personnel spending as a proportion of O+M expenditures were all utilized to categorize the firm as bad performance (WASREB, 2019).

Statement of the Problem

Kenya's water supply faces shortages and waste, as well as high unaccounted-for water connections, unauthorized connections, mishandling of water bills, non-reading of meters, and unpaid power bills (World Bank, 2019). Both of these had undermined the water utilities' financial position. Financial performance of water service providers in Garissa County is dwindling (Gawasco Report, 2015-2019). The County has poor water infrastructure and majority of the households are served by community water projects.

Declining trend revenue collection efficiency is evident especially in decline of revenue from 11.029M in 2014-2015 financial year to -4.540M in the financial year 2015-2016. The company has also reported increase in operations and maintenance costs from 26.7M in FY 2014-2015 to more than 30M and 35M in the FY 2016-2017 and FY 2017-2018 respectively (Gawasco Reports 2018-2019). Garissa Utility Company was among the three worst performing utility with 16 points from a possible 200 points based of Key Performance Indicators in the year 2019 (WASREB, 2019). According to the assessments, Gawasco has the worst internal control. Considering the significance of utility companies in the regions, the link between internal management and financial results of water companies is rarely acknowledged.

Some of the papers that were examined had gaps that the present study was designed to fill. Avery and Obah (2018) investigated the impact of internal control on responsibility in the Nigerian public sector. According to the findings, there is no substantial association between institutional control and responsibility. Yao, Yusheng and Bah (2017) conducted a study on critical examination of public-sector internal control system, a tool to alleviate financial irregularities: evidence from Ghana. Internal control system and performance were shown to have a favorable significant connection in the research. In addition, Njiru and Bunyasi (2016) investigated the influence of control environment on the financial results of Kenyan water corporations (a water company case in the Tana public water platform).Water company performance is influenced by segregation of tasks, financial reconciliation, inventory audits, and cost management, according to the research.

For Yao, Yusheng and Bah (2017) study, it used measures of internal control system which entails segregation of duties, supervision, approval and authorization and review and verification while Avery and Obah (2018) study considered the control activities, control environment, monitoring, information and communication and risk assessment hence in both studies did not have a common proxies of internal control system even when the unit of analysis was public organizations. The study by Njiru and Bunyasi (2016) also considered ICS and its influence on performance of the water companies. The operationalization of performance was based on revenue efficiency, asset base, revenue generation, and rate of debt which was different to the one used by Yao, Yusheng and Bah (2017). The three studies reviewed presented a diverse findings and these could be because of dissimilar operationalization of both dependent and independent variables and methods used in collection and analyzing data. However, their research findings were dissimilar which could be as a result of methodological, conceptual and theoretical diversities, hence the need for further investigation to bridge the gaps thereof. This study incorporated the internal control system proxies as proposed by William *et al.,* (2016) which entails; control activities, control environment, monitoring, information and communication and risk assessment to predict financial performance of Gawasco Ltd in Garissa County, Kenya.

Research Hypotheses

The study tested the following research hypotheses;

H_{01}: Control environment has no significant influence on financial performance of Gawasco Ltd in Garissa County, Kenya

H_{02}: Control activities has no significant influence financial performance of Gawasco Ltd in Garissa County, Kenya

H_{03}: Information and communication has no influence on financial performance of Gawasco Ltd in Garissa County, Kenya

H_{04}: Risk assessment has no influence on financial performance of Gawasco Ltd in Garissa County, Kenya

H_{05}: Monitoring activities has no significant influence on financial performance of Gawasco Ltd in Garissa County, Kenya

THEORETICAL REVIEW

The study was guided by three theories. These theories were; stewardship theory, agency theory and institutional theory.

Agency theory

Jensen and Meckling were the first to present agency theory (1976). An agency relationship is a contract wherein one or maybe more folks (the fundamentals) hire some other person (the operative) and provide a service on their behest and delegate specific judgment authority to a agent. The agency problem investigates two parties' conversations: shareholders and administration. These duties are conferred on the agent (manager) by the (investors) principle, and the principal agrees to reimburse the agency. A company consists of a web of agreements, according to the agency theory of business, between economic owners (principals) and managers (agents) charged with the use and administration of the assets. The agents are the managers of water businesses, whereas the principals are the water boards. According to the idea, managing directors of water firms (agents) have greater information than the board of directors (principals), and that this allocative efficiency reduces principals' capacity to regulate whether agents effectively serve their interests.

As a result, the theory defines companies as required contract-keeping structures via which control may be exerted that reduces actors' opportunistic behavior (Abdi, 2017As per the concept, the goal of a comprehensive agreement is to address the requirements of both the agents and principals(Avika & Hari,2018). The hiring of an expert by the principal, as well as monitoring procedures, enhance the agent-principal connection even further (auditors and controlsystems).

Insufficient information about the actor's relationship, ambitions, or performances, according to the idea, can be harmful and lead to a perverse incentives. Moral dangers and unfavorable choices have two impacts on the performance of the agent: They have no idea what they're supposed to do, and they're not doing it exactly. Agency theory therefore posits that managers and actors utilize contracting to complement their resources rationally (Jensen & Meckling, 1976). Internal control is a multitude of strategies used in companies to handle the issue of agencies by restricting the expenses of the agency that impact partnership overall efficiency and the advantages of the primary and this notion is related to the research. And Payne and Jensen (Jensen & Payne, 2003)

Stewardship Theory

"A steward protects and optimizes shareholder resources via corporate efficiency, which maximizes the steward's usefulness as "steward protects and maximizes shareholder resources through company efficiency, which maximizes the steward's utility characteristics (Schoorman, Donaldson, & Davis, 1997). Regarding agency, stewardship theory stresses senior company's responsibility as stewards, particularly their responsibilities as shareholders. and not of individuals, according to Schoorman, Donaldson and Davis (1997). When an organization

achieves success, stewards feel fulfilled and motivated, according to the stewardship perspective. While the theory of agencies regards employees or citizens as economic beings who repress anindividual's own wants, thistheory acknowledges the significance of systems that authorize the agent andgive complete trust-built autonomy. This emphasizes workers' or managers' capacity to act independently in order to maximize shareholder returns.

Management and managers run their work to be regarded as effective managers of their company, according to Fama (1980), and managers are returning cash to investors to build a solid reputation for re-entering the future financing market, according to Abioro (2013). A steward protects and optimizes shareholder resources via corporate efficiency, which maximizes the steward's usefulness as "steward protects and maximizes shareholder resources through company efficiency, which maximizes the steward's utility characteristics (Schoorman,Donaldson,Davis,1997). According to Donaldson and Davis, whereas organizations, the stewardship theory stresses the role of senior executives as custodians, including your interest as part of the firm rather than as personalities (1991).

Institutional Theory

Institutional theory adds a layer of complexity to the explanation of how management techniques are adopted and organized inside companies. This hypothesis, which is more sociological in character, is based on Meyer and Rowan's (1977) and DiMaggio and Powell's (1977) work (1983). As per Davidson, Chris, and Kent, institutional theory has become a significant conceptual perspective in responsibility research and business theory (2015). Companies create and deploy structures, procedures, and systems, according this theory, not largely on the basis of logical economic costing system, but rather when new techniques and procedures become somewhat required.

Company must implement the activities and processes that have been described in Meyer and Rowan according to the prevalent rationalized notions of the organizational function and institutionalized in society (1977).Regardless of the immediate use of the processes and procedures gained organizations that do so increase their reputation and potential for success. Symbolic displays of compliance and social responsibility are organizational structures, which include diverse functions, duties, processes, and internal control system. Organizations that have sufficient frameworks in place are less likely to be subjected to in-depth examinations of their activities. Gordon and Miller (1976) brought out the importance of institutionalized laws, based on their study. These are categories of society which are self-evident, endorsed by popular opinion, or even given legal authority. These Regulations include normative responsibilities, whether they be in- and outside-professional risk managers, compliance officials, CEOs, auditors, directors or other types of professionals, to be taken into account and accepted by members of the corporate community.

The institutionalization process, according to Fadzil, Haron, and Jantan (2017), is the process through which many types of social structures in everyday society get legal significance. This

theory is important for the analysis because it highlights the organization's internal structures which will mitigate the external scrutiny if they are successful.

RESEARCH METHODOLOGY

Research Design

Creswell (2013) argues that a design of a research gives an overview or method to find answers to the subject under investigation. It represents the arrangement of the many circumstances in the study and examines them to get the importance of the investigation. A descriptive research design was used for the analysis. The design involves the integration of questionnaires, as means of data gathering. The appropriateness of this design also depends on its aid in defining the scenario now in place and establishing criteria with which the present situation and conditions may be compared in order to determine the connections between various occurrences. The design options are also based on the fact that it provides the researcher the chance to discover solutions to problems (Orodho, 2012).

Target Population

The target population of the research indicates the total number of characters or objects investigated (Jha, 2014). The target population is the total number of objects from which the investigator wants to investigate and make conclusions (Kothari, 2013). The study was conducted in Garissa Water and Sewerage Company (GAWASCO) Ltd. Therefore, the unit of analysis was GAWASCO while the unit of observation was employees from accounting, administration, and operations department. Garissa water and Sewerage Company in Garissa County, Kenya was selected because it is one of the worst performing water utility companies in Kenya according to recently released performance report (WASREB, 2019). Based on information from HR, there are 68 employees in Garissa water and Sewerage Company limited. They will form the target population and their distribution in the company was as shown in Table 1.

Table 1: Target Population

Categories	Number
Accounting Officers	12
Administration Officers	20
Operation Personnel	36
Total	**68**

Source: GAWASCO (2019/2020)

Sampling Design and Sample Size

According to Jha (2014) and Creswell (2017), a study sample refers to a portion of the entire population which the researcher selects to report on, then the generalization is applied to the entire population. Sampling is the way a representative of the whole population is selected in order to save time, resources and energy. The demographic characteristics are mirrored in the selected sample (Bryman & Cramer, 2012). Due t0 the smα11 size 0f p0pu1αti0n, census sαmp1ing approach was used. Theref0re, the study carried 0ut α census 0f all 68 employees in Garissa water

and Sewerage Company limited. Mugendα ɑnd Mugendα (2013) rec0mmended census study in circumstances where the population is fɑir1y small (less than 200 units). Census studies are the most trusted and re1iɑb1e since all elements in the population are part of the study (Creswe11, 2014). As a result, the study's representative sample comprised 68 participants.

Data Collection Instruments

The study used semi-structured questionnaires. The use of questionnaires in data collection was a suitable method, as it provided well-thought-out responses with great freedom to express their views and suggestions and encouraged productive work on samples. Questionnaire were employed in this study because they are effective data collection tools that allow people to assess exactly what is needed as well as how to evaluate the study's parameters (Sekaran,2013). The questionnaire survey are simple to complete and comprehend. In addition, questions were chosen because they cover a vast population in a short amount of time and at a low cost towards the researcher, while also boosting the participants' independence and reliability of responses (Sekaran, 2013). While gathering actual data, the researchers carried out a pilot study to check that the survey was reliable.

Validity of the Research Instrument

The level of validity specified by the measurement device that quantities accurately or specifies measurement units (Creswell, 2014). The researcher can utilize material and facial validity throughout the analysis. Facial validity is used to reduce unclear or incorrect queries. In relation to Kothari (2012), the student can lower the face validity of every question by carrying out a pilot test. Content validity is a measure of the representation of all aspects inside a certain social structure. Consultation with competent resources personnel such as the university supervisor improved the legitimacy of the contents of this study. The project increased the trustworthiness and validity of the data collection instrument through pilot testing.

Reliability of the Research Instrument

Reliability is the capacity of the data gathering to deliver consistent results in a similar setting or subject. The internal correctness of data acquired during the present study was assessed in order to evaluate the dependability of data collection devices (Kothari, 2013). The internal consistency calculation is built on the idea that each item in a comparable construct should correspond to one another. The best form of internal precision calculation is Cronbach's alpha. As alpha values grow, the dependability of data gathering equipment typically increases. The values range from 0 to 1. The devices for collecting the data are accurate when the alpha values are higher than 0.7 (Creswell, 2017). The investigator thus accepted Cronbach's alpha value for the data collecting device of more than 0,7.

Data Collection Procedures

In addition, the researcher conferred with the management of GAWASCO on the suitable data collection timeframe. The drop and pick approach was employed and targeted employees at the water facility in the administration of surveys. The researcher then conducted a follow-up to urge participants to complete out their questionnaires. The data collecting procedure took two weeks to complete (14 days).

Data Analysis and Presentation

The subjective data was collected and analyzed using SPSS version 26. To sum it up data and draw broad evidence about the relationship between Garissa Drainage and Sewer Company's internal audit and quarterly statements, qualitative data were used. Tables and figures were used to present the information. The subjective data was collected and analyzed using SPSS version 26. To sum it up data and draw broad evidence about the relationship between Garissa Drainage and Sewer Company's internal audit and quarterly statements, qualitative data were used. The influence of Garissa Drains and Sewer Internal company direct authority on quarterly earnings was assessed using a statistical method. The following is the regression analysis that was used:

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

Whereby; Y = Financial Performance of Garissa Water and Sewerage Company

β_0= Constant

β_1- β_4 = Regression Coefficients

X_1 = Control Environment

X_2 = Control Activities

X_3 = Information and Communication

X_4 = Risk Assessment

X_5 = Monitoring Activities

ε = Error term

The relevance of the influence of impartial variables the result was determined using generalized linear. At a 95 percentage standard error, the correlation model has been tested for importance.

RESEARCH FINDINGS AND DISCUSSIONS

The respondents were sent 68 questions, 65 of which have been filled up, indicating a participation rate of 96 percent. This return rate was great and demonstrative, and it met Flick's (2019) requirement of a number of respondents of 50% for analysis, meaning that 96 percent really was better.

Table 2: Response Rate

	Number of respondents	Percent
Response	65	95.5
Non-Response	3	4.5
Total	**68**	**100.0**

Diagnostic Tests Results

Prior to regression analysis, the researchers ran diagnostic tests on the study hypotheses to confirm that the regression assumptions were not broken.

Linearity tests

The strength and direction of the association between the dependent and independent variables were determined using correlation analysis. If the variables are unrelated, the correlation coefficient will be 0. The stronger the link, the closer the correlation coefficient is to one, and the weaker the link, the closer the correlation coefficient is to zero. Cohen and Cincinnati personal judgment criteria were used to ascertain the similarity strong points, with 0.1 versus 0.3 denoting weakly correlated, 0.3 of between 0.5 clearly indicates moderate positive correlation, and larger than 0.5 implying a strong link between the variables. The relationship between Garissa Water and Sewerage Company's financial performance and the management framework, management procedures, information dissemination, risk analysis, and conducting audits was investigated in this study. The relevance of the connection was investigated at a 5percentage significant level. The outcomes of the similarity study are presented in Table 3.

Table 3: Correlations

		Financial Performance	Control Activities	Control Environment	Information and Communication	Risk Assessment	Monitoring
Financial Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
Control Activities	Pearson Correlation	.701**	1				
	Sig. (2-tailed)	.001					
Control Environment	Pearson Correlation	.835**	.461	1			
	Sig. (2-tailed)	.010	.258				
Information and	Pearson Correlation	.765**	.196	.499	1		
Communication	Sig. (2-tailed)	.003	.254	.871			
Risk Assessment	Pearson Correlation	.698**	.325	.264	.198		
	Sig. (2-tailed)	.001	.168	.078	.470		
Monitoring Activities	Pearson Correlation	.840**	.125	.258	.136	.255	
	Sig. (2-tailed)	.021	.418	.365	.258	.354	

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

According to Table 3, there is a substantial positive link (r=0.701) among control actions and financial outcomes Because the premeditated p-value(0.001) would be less than the predetermined significant level, the connection was substantial (0.05). The financial findings show a positive and significant connection (r =0.835, p= 0.0100.05) with the control environment. Risk assessment (r = 0.698, p = 0.0010.05) and exchange of information (r = 0.765, p = 0.0030.05) are also found to have the strongest positive and significant relationship with business results. Finally, there is a clear and significant link between company that helps and financial outcomes (r).

This means that risk assessment, management procedures, surveillance activities, management framework, and communication and information were all linked to Garissa Water and Sewerage Company's financial performance. It was also a meaningful relationship. Because the variables are so closely linked, the researchers used linear regression to see how much each variable affects variable. The data also demonstrate that the independent variables' relationships were moderate to weak (r values 0.5), implying that the different factors were moderately to weakly connected. As a result, the independent variables had minimal autocorrelation problem, which is a requirement for doing multiple regression analysis.

Test of Normality

The test for normality for this study was done using the Shapiro-Wilk test on each of the independent variables versus the dependent variable. The Shapiro-Wilk test yielded the following results in table 4.

Table 4: Shapiro-Wilk Test

	Shapiro-Wilk		
	Statistic	Df	Sig.
Financial Performance	0.903	59	.122
Control Activities	0.874	59	.173
Control Environment	0.691	59	.149
Information and Communication	0.754	59	.343
Risk Assessment	0.876	59	.236
Monitoring Activities	0.678	59	.125

The findings in Table 4 presents that the Standardized residuals are significantly normally distributed with a significance of 0.122 for financial performance, 0.173 for control activities, 0.149 for control environment, 0.343 for information and communication, 0.236 for risk assessment and 0.125 for monitoring activities. All significance were greater than 0.05. This implies that the variable, financial performance, control activities, control environment, information and communication, risk assessment and monitoring activities were normally distributed.

Testing on Multicollinearity

Using the Multicollinearity test, one or more of the variables of the analysis is tested whether it is strongly correlated with one or more of the other independent variables. Table 5 summarizes the multicollinearity results.

Table 5: Multicollinearity test

Variable	VIF	1/VIF
Control Activities	7.96	0.1256
Control Environment	6.67	0.1499
Information and Communication	5.98	0.1672
Risk Assessment	5.18	0.1931
Monitoring Activities	6.40	0.1563
Mean VIF	**6.44**	

The multicollinearity tests indicates that all the VIF were less than 10 suggesting no possibility of multicollinearity amongst variables control activities (VIF=7.96), control environment (VIF=6.67), information and communication (VIF= 5.98), risk assessment (VIF=5.18), and monitoring activities (VIF=6.40).

Tests of Heteroskedasticity

The Breusch-Pagan test was used to test the heteroscedasticity in the analysis.

Table 6: Heteroscedasticity Test

Breusch-Pagan / Cook- Weisberg Test for heteroskedasticity
Ho: Constant variance
Variables : fitted values of Financial Performance
chi2 (1) = 1.94
Prob > chi 2 = 0.1642

The data does not have a heteroscedasticity problem since the P value was greater than 0.05. Since all p-values are greater than 0.05, there is no issue with heteroscedasticity, as shown in Table 6.

Multiple Regression Analysis

A multivariate regression analysis was performed to examine the relationship between the independent: management framework, management procedures, communication and information, risk evaluation, and surveillance, and the predictor variables: Garissa Water and Sewerage Company's financial achievement. SPSS was used to conduct the linear regression, and the findings were given in three tables that are discussed in the following sections.

Model Summary

The amount of variation in the dependent variable as a result of changes in the independent variables is calculated using the model summary. This study looked at how changes in the management system, management procedures, communication and information, risk evaluation, and conducting audits affected Garissa Water and Sewerage Company's financial performance. The outcomes are shown in Table 7.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.613	.581	.58066

a. Predictors: (Constant), Control environment, control activities, information and communication, risk assessment, monitoring activities

The regression depicted the degree of relationship between financial outcomes and dependent variables (adjusted R^2). The R^2 Value for Garissa Drainage and Sewer Company's finances is 0.581, meaning that changes in the management system, standard operating procedures, dissemination of information, risk appraisal, and control procedures account for 58.1 percent of the company's financial variance. The remaining 41.9 percent implies that the model failed to account for additional financial aspects affecting Garissa Water and Sewerage Company's

performance. The correlation coefficient, designated by the letter R, depicts the relationship between two or more variables.

Analysis of Variance

Our way ANOVA was utilized in the study to determine whether the data included in the investigation was significant. The study's relevance threshold was set at 5%. Table 8 summarizes the findings.

Table 8: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.587	5	6.317	18.737	.000[b]
	Residual	19.893	59	.337		
	Total	51.479	64			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Control environment, control activities, information and communication, risk assessment, monitoring activities

The linear regression was meaningful at 0.000, and less than the planned significance criterion, per the data in Table 8. (0.05). As a result, the information was useful for predicting how internal control, control activities, communication and information, risk appraisal, and surveillance affected Garissa Water and Sewerage Firm's financial position. The F calculated value (from Table 8) was higher than the F significance threshold (from f-critical tables) (18.737 > 2.371), indicating that the internal control system of Garissa Water and Sewerage Company (framework, control activities, communications, assessing risk, and monitoring processes) has a significant impact on the profitability.

Coefficients of the Study Variables

The study used the coefficients to fit the following regressionequation model;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_4 X_4 + \epsilon$

Table 9: Regression Coefficients

Model		Un standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.055	0.116		-9.095	0.000
	Control Environment	0.797	0.111	0.716	7.180	0.001
	Control Activities	0.422	0.097	0.338	4.351	0.007
	Information and Communication	0.493	0.132	0.411	3.735	0.010
	Risk Assessment	0.720	0.076	0.619	9.474	0.000
	Monitoring	0.741	0.125	0.733	5.928	0.003

From the standardized beta value in Table 9 the following standardized regression equation was fitted;

$Y = -1.055 + 0.716 X_1 + 0.338 X_2 + 0.411 X_3 + 0.619 X_4 + 0.733 X_5 + \epsilon$

Using the regression equation above, the value of the financial efficiency was -1.055 units when the five dimensions (control environment, control activities, information and communication, risk assessment, and monitoring activities) were held constant.

The findings also show that internal audit has a quantitatively significant impact on the financial performance of Garissa Drainage and Sewer Company (r= 0.716, P = 0.001). The organizational system's impact on financial performance is also acknowledged. This suggests that a unit increase in the management system will result in a 0.716-unit increase in the financial results of Garissa Water and Sewerage Company. So according Kisanyanya and Omagwa's results, the flexible control environment has a major impact on the profitability (2018). Authority, organizational structures, and human resources policies and processes were demonstrated to be effective in identifying financial results. It also confirms with Muhunyo (2018) that organisation culture, leadership, and people management policies and practices all affect the profitability.

Control actions have a statistically significant effect on Garissa Water and Sewerage Company's financial performance, as evidenced by (r= 0.338, P = 0.007). Control efforts have also been found to have a significant financial impact. This suggests that a 0.338-unit increase in control procedures will result in a 0.338-unit increase in financial performance for Garissa Drainage and Sewer Company. The findings contrast those of Ibrahim, Diibuzie, and Abubakari (2017), who found that proper policies, processes, and mechanisms in place to ensure that management directives are implemented have a statistically minimal impact on financial performance. Internal audit controls had a far greater impact on financial performance than independent review controls, according the results, as reported by Ibrahim, Diibuzie, and Buildup of fluid (2017).

The statistics also show that information exchange has a statistically significant impact on the financial performance of Garissa Water and Sewerage Company, as indicated by (r= 0.411, P = 0.010). Financial performance is also regarded to be influenced by information and communication. This suggests that a unit increase in communication and information will result in a 0.411 unit increase in the financial performance of Garissa Water and Sewerage Company. Mwachiro (2013) found a strong correlation between information dissemination and revenue collection, and our findings back up his findings. It also agrees with Adeyemi and Olarewaju (2019) that the public sector's management, control, risk assessment, communication, monitoring, and assessment based on econometric findings have a substantial impact on financial public accountability.

As indicated by (r= 0.619, P = 0.000), risk analysis has a statistically significant impact on Garissa Water and Sewerage Company's financial performance. Risk evaluation is regarded to have a significant impact on financial success. This suggests that for every unit increase in risk assessment, Garissa Water and Sewerage Company's financial performance will rise by 0.619 units. Higher risk appraisal has a detrimental impact on financial planning, according to Jagongo and Kipchumba (2018).

Finally, monitoring efforts have a statistically significant effect on Garissa Water and Sewerage Company's financial performance, as shown by (r= 0.741, P = 0.003). Financial success is also regarded to be influenced by monitoring activities. This suggests that a 0.741-unit increase in monitoring process will result in a 0.741-unit increase in the financial results of Garissa Water and Sewerage Company. According to Eniola and Akinselure (2016), measures have a big impact on the profitability, and as a consequence, management utilizes more effective techniques to deliver

effective and productive control operations, resulting in a considerable reduction in counterfeiting inside the organization.

Conclusions

The hypothesis that was tested was H01: The internal control has no massive effect on Gawasco Ltd's financial results in Garissa County, Kenya. According to the study, the internal control has a statistically significant effect on Garissa Water and Sewerage Company's finances. The developed framework has also been shown to have a significant impact on profitability. This meant that a unit increase in the management system would raise the financial results of Garissa Water and Sewerage Company. The results show that the control environment has a significant impact on Gawasco Ltd's financial performance in Garissa County, Kenya, rejecting the null hypothesis H_{01}. The hypothesis was tested: Gawasco Ltd's economic results is unaffected by control activities in Garissa County, Kenya. The study discovered that control efforts have a statistically significant effect on Garissa Water and Sewerage Company's financial performance. Control actions are also shown to have a substantial effect on corporate performance. This means that a unit increase in management control will result in a boost in Garissa Water and Sewerage Company's finances. Depending on the statistics, the study contradicts the null hypothesis H_{02}: and concludes that control efforts have a significant beneficial impact on Gawasco Ltd's business results in Garissa County, Kenya.

According to the study, exchange of information had little impact on Gawasco Ltd's financial results in Garissa County, Kenya. The study found that knowledge and communications had a statistically significant impact on Garissa Water and Sewerage Company's finances. Interaction and knowledge are thought to have an effect on corporate performance. This shows that an increase in knowledge and communication will improve Garissa Drainage and Sewer Company's financial performance. On the basis of the data, the study rejects the hypothesis H_{03} and concludes that exchange of information have a significant beneficial impact on Gawasco Ltd's financial results in Garissa County, Kenya.

H_{04}: Risk analysis has no impact on Gawasco Ltd's financial results in Garissa County, Kenya was the hypothesis tested. Risk assessment has a statistically significant effect on Garissa Water and Sewerage Company's financial performance, according to the study. Risk evaluation is also thought to have a substantial impact on financial performance. This means that a unit increase in risk assessment will result in a boost in Garissa Water and Sewerage Company's financial performance. Risk assessment has a considerable positive impact on Gawasco Ltd's financial results, according to the study, rejecting the null hypothesis H_{04}.

Furthermore, the research looked at H_{05}: Provides detailed in Garissa County, Kenya had little impact on Gawasco Ltd's financial results. Monitoring and control operations had a statistically significant effect on Garissa Water and Sewerage Company's financial performance, according to the study. Monitoring actions were also found to have a significant impact on the financial outcomes. This means that increasing monitoring efforts by one unit improves Garissa Water and Sewerage Firm's financial situation. The findings contradict the null hypothesis H_{05},

demonstrating that control procedures have a significant impact on Gawasco Ltd's financial results in Garissa County, Kenya.

Recommendations of the Study

Based on findings, the research study made suggestions aimed at improving the relationship between organizational control system and financial results. Water firms should diversify their control measures related to authorization of transactions (control activities) and compliance level (control environment). These could be done through assigning duties to individual employees based on their competence and training. The results could also be improved through successful customer service plans, which will identify both their "at risk" and most valuable clients.

Garissa Water and Sewerage Company require in-house monitoring and information systems which provide operational, financial and compliance reporting to manage and govern their firm. It is also important for the company to ensure it utilizes detailed information and communication standards in the system, reporting channels, and processes for dealing with customer complaints as proxies for information and communication.

The water boards should understand the risk assessment control and mitigating procedures that will affect the fraud levels to the companies they manage Consumers in certain geographic locations and demographic groupings should be targeted in order to better service their customers, particularly those with diverse demographics. The directors' optimization of the company's customer relationship management plan would be an excellent way to address information and communication concerns.

According to the study, if the company's monitoring system through independent audit is improved, created, and implemented, the company's financial performance may be improved, fostered, and applied methodically. Employees in charge of preparing and reporting financial statements must be open and honest, and any misreporting must be held accountable. Accounting and finance experts, for instance, who do have the ability to generate and approve expenses, must be accountable for all resources used and guarantee that the company gets good value for its investment.

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