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FINANCE

INTERNAL CONTROL SYSTEMS AND FINANCIAL GOVERNANCE OF NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Purpose of the study: The study sought to ascertain internal control systems effects on financial governance of Nairobi City County, Kenya. Specifically on the impacts of control environment, risk management, control activities, monitoring activities and information communication. Resource dependency, agency and systems theories anchored the review.

Statement of the problem: Since 2020, the Nairobi City County government has faced significant challenges in revenue collection, largely due to COVID-19 epidemic, which disrupted commercial activities and led to a decline in tax revenues as many businesses closed or operated at reduced capacity. Additionally, outdated revenue collection systems and inefficiencies in tax administration, including reliance on manual processes, have caused delays and revenue leakages

Methodology: The study employed an explanatory research design targeting 89 employees from the ministry of finance and economic planning, using structured questionnaires for data collection. Quantitative data was analyzed using descriptive statistics (mean and standard deviation) and inferential statistics (regression and correlation analyses) to examine relationships between variables.

Findings: The study found control environment, risk management, control activities, monitoring activities and information communication have a significant influence on financial governance.

Conclusion: The study conclude that whole financial management effectiveness and integrity of the County had been positively influenced by its control environment mechanisms. Internal control systems of the County had enhanced the financial monitoring and process of making decision by the County ensuring that financial operations are conducted transparently and accountably.

Recommendations: The study recommends that the County should implement comprehensive training programs, conduct regular audits, and establish clear internal control policies to strengthen financial governance. Additionally, the County should invest in automated financial management systems and leverage digital platforms to enhance transparency, monitoring, and citizen engagement in financial matters.

Keywords: *Internal control system, financial governance, Control environment, Information communication and monitoring activities, Nairobi City County, Kenya*

INTRODUCTION

Financial governance ensures that financial reports are accurate, timely, and comprehensible, allowing stakeholders to formulate well-founded judgments grounded in dependable data (Albreiki & Nobanee, 2019). Ogeh (2023) observe that financial governance provides a framework for data-driven decision-making, enabling leaders make strategic choices based on accurate financial analysis. Ndanyi (2021) observe that the oversight of financial governance within organizations is achieved through the implementation of internal controls. Manginte (2024) observe that internal controls encompass processes and procedures that help safeguard assets, prevent fraud, and ensure accuracy of financial information.

The current state of financial governance in organizations worldwide reflects a complex interplay of regulatory frameworks, cultural influences, and economic conditions (Asare, 2021). Berthelot, Morris and Morrill (2023) observe that Canada's financial governance is characterized by a decentralized regulatory framework. Germany's dual-board structure supports transparency and shareholder rights (Stiglbauer & Velte, 2022). Habib and Jiang (2023) highlight China's advancements in financial governance through reforms intended to increase accountability and transparency. African organizations' financial governance landscape is shaped by historical context, political stability, and cultural influences (Barry and Tacneng 2021). South Africa has incorporated comprehensive regulations such as the Municipal Finance Management Act (Zonke 2023). Zimbabwe's prolonged economic instability has weakened financial institutions credibility.

Muronda and Waldt (2023) note that absence of stable regulatory environment has resulted in widespread corruption and resource mismanagement.

Kenya's dedication to enhancing integrity is reflected by the country's governance environment which picks up from international norms (Murigi & Musau, 2023). Significant institutions such as NHIF and KRA are pivotal in shaping financial practices (Odhiambo, 2024). Nairobi City County has adopted PFM Act to foster the financial governance framework. Financial governance is the framework of rules and processes that sheer an organization's financial resources management (Capriglione & Casalino, 2020). Rezaee (2021) stresses on regulatory elements in adhering to financial reporting rules. This review assessed financial governance through revenue collection lens, which is a crucial indicator of effective financial management (Ohemeng & Owusu, 2021).

Internal control systems is a framework designed to guarantee financial information integrity and boost operational efficiency (Sudirman et al., 2021). Lee, Weng and Huang (2021) argue that robust internal control systems support strategic objectives. This study adopted control environment, control activities, risk assessment, information communication and monitoring activities. The control environment encompasses attitudes and actions regarding internal controls (Nalukenge, Tauringana & Mpeera, 2017).

Nairobi City County's Gross County Product accounts for 27.5% of Kenya's total GDP, with annual budget exceeding KSh 30 billion. However, the county collects only 40-50% of potential tax revenue and faces persistent budget deficits. Thus, this study examined how internal control systems influence financial governance, providing empirical evidence for policy makers. The objectives were to: explore control environment effects; explore risk management impacts; evaluate control activities influence; establish monitoring activities impacts; and examine information communication effects on Nairobi City County's financial governance.

STATEMENT OF THE PROBLEM

Nairobi City, Kenya's capital and largest urban center, is a key driver of the country's economy. However, it faces significant financial challenges that impact its overall performance. The county only manages to collect between 40% and 50% of its potential tax revenue, falling short of the national urban average. As a result, it depends heavily on financial transfers from the national government, which make up more than 60% of its total revenue. Budget deficits have been an ongoing issue, with Nairobi reporting a KSh 10 billion shortfall in the 2023/2024 fiscal year. This funding gap has put strain on essential services and infrastructure projects, limiting the county's ability to meet growing demands and sustain economic development. High operational costs, particularly salaries that consume up to 60% of the budget, limit funds for development. Additionally, corruption is a major issue, with estimates accounting for losses of up to 30% of the county's budget.

Many studies have investigated county government's internal control systems and financial governance. For example, Lagat and Okelo (2019) found that ICT monitoring and control activities substantially influence Baringo's County financial management, though their focus creates a contextual gap. Similarly, Haro (2023) identified moderate internal controls' positive effects on Marsabit County public fund management, but this study also has contextual and conceptual gaps. Additionally, Rono (2024) explored how service delivery is impacted by public finance management practices in Nairobi Metropolitan Area, finding that capacity development significantly moderates these relationships, yet it also presents a conceptual gap. Therefore, this study strived to ascertain internal control systems effects on Kenya's Nairobi City County, financial governance.

OBJECTIVES OF THE STUDY

i. To explore control environment effects on financial governance of Kenya's Nairobi City County.
ii. To explore risk management impacts on financial governance of Kenya's Nairobi City County.
iii. To evaluate how control activities influence Kenya's Nairobi City County's financial governance.
iv. To establish monitoring activities impacts on Kenya's Nairobi City County financial governance.
v. To examine information communication effects on Kenya's Nairobi City County financial governance.

REVIEW OF LITERATURE

The review of literature was done in sections.

Theoretical Review

The study was anchored on resource dependency theory, agency theory and systems theory. Resource dependency theory was developed by Jeffrey Pfeffer and Gerald R. Salancik in 1978, arguing that no organization operates in isolation and must engage with external entities to acquire essential resources. Pfeffer and Salancik (2015) emphasize that organizations need to navigate power dynamics effectively to secure critical resources by building strong connections with financial institutions, investors, and regulatory agencies while maintaining governance frameworks that facilitate capital access and stakeholder trust. Williamson (2019) expands on RDT by discussing the costs associated with negotiating and enforcing contracts, noting that organizations must weigh risks and expenses of acquiring external resources. The theory was relevant to inform objectives on control environment and risk management. This is because the theory helps Nairobi City County identify and manage resource dependencies, diversify revenue streams, enhance tax collection mechanisms, and foster private-sector partnerships to strengthen financial resilience.

Agency theory was developed by Michael Jensen and William Meckling in 1984, examining organizational principals' relationship with their appointed agents, particularly in corporate governance. Jensen and Meckling (1984) argue that principals expect agents to act in ways that maximize shareholder value, but agents may pursue personal interests leading to agency costs. Shleifer and Vishny (1997) emphasize the role of strong internal control systems in addressing agency-related challenges through policies and procedures that promote accurate financial reporting, regulatory compliance, and efficient resource management. Fama and Jensen (1983) further assert that governance frameworks, such as boards of directors and audit committees, are essential for overseeing management and mitigating financial mismanagement risks. The theory was relevant to inform objectives on control activities and monitoring activities. This is because the theory highlights how internal control systems are crucial in ensuring proper use of public funds, maintaining accurate financial records, and preventing fraud and mismanagement in Nairobi City County.

Systems theory was developed by Ludwig von Bertalanffy in the 1940s, emphasizing the interconnected nature of complex systems across different disciplines. Forrester (2011) introduced system dynamics, a methodology for analyzing complex systems over time using feedback loops and time delays, particularly in social and economic contexts. Senge (2016) further expanded on systems thinking, emphasizing its role in organizational development by recognizing interconnections between different components to foster a culture of continuous learning and improvement. The theory was relevant to inform the objective on information communication. This is because the theory enables Nairobi City County to develop a comprehensive understanding of how different financial risks interact and how internal controls can be structured to address them effectively through a holistic approach that acknowledges dynamic relationships and prioritizes stakeholder engagement to strengthen financial governance.

Empirical Review

Burgos-Jiménez et al. (2023) in Wales examined the relationship between environmental protection and financial performance using cross-sectional survey of 2,122 companies with regression analysis. The study found positive link between environmental protection and mid-term financial performance. Oyedokun and Felejaye (2022) in Nigeria investigated control environmental systems influence on NGO financial performance using descriptive survey of 200 personnel from 20 organizations. The study found that control environment substantially impacted NGOs' financial outcomes. Onsindu, Muturi, and Kanali (2023) in Kenya explored internal control systems impacts on local revenue management using COSO-based questionnaire with County finance chiefs. The study found that internal control environment strongly positively correlates with efficient revenue management, though Nairobi City County was excluded.

Ahmed and Kosgei (2023) in Lamu County Kenya examined risk management practices impacts on financial performance using explanatory framework with stratified sampling of county officials. The study found that effective risk management is crucial in strengthening financial performance. Ahmed and Nganga (2019) in Kenya's coastal counties investigated risk management practices influence on financial outcomes using descriptive research with 40 finance managers. The study found notable positive link between risk assessment measures and financial performance. Maingi (2023) in Kenya determined risk management influence on Kenyatta National Hospital financial performance using descriptive research with census of 80 employees. The study found that risk management significantly impacted the hospital's financial performance.

Korir (2022) in Bomet and Kericho Counties Kenya explored control activities influence on commercial banks financial performance using causal and correlational research with 86 employees. The study found that control activities insignificantly negatively impacted bank branches' financial performance. Cheruiyot, Namusonge, and Sakwa (2018) in Kenya explored control activities impacts on county governments' financial performance using descriptive research with purposive sampling of 47 counties. The study found that counties with strong control activities performed better than those with weaker systems. Chepkurui, Naibei, and Kemboi (2022) in Kericho County Kenya examined control activities influence on financial sustainability using correlational design with 125 respondents. The study found significant positive relationship between control activities and financial sustainability. Chepkorir and Langat (2021) in Kericho County Kenya examined budgetary monitoring influence on financial performance using correlation survey with 3,848 employees. The study found that effective budgetary monitoring significantly improves financial performance. Manyange, Aluonzi, and Mabonga (2020) in South Nyanza Kenya studied monitoring impacts on financial accountability using correlational design with 335 respondents. The study found that increased monitoring significantly enhances financial accountability. Ehaji (2019) in Vihiga County Kenya examined monitoring practices influence on financial performance using cross-sectional correlation research with 100 officials. The study found that monitoring practices significantly influence financial performance.

Walubengo, Abuya, and Kiongera (2023) in Western Kenya examined information technology impacts on service delivery using stratified sampling of 174 respondents from county governments. The study found that information technology significantly influences service delivery. Ywapamoy (2018) in West Pokot Kenya explored ICT relationship with SMEs financial performance using descriptive technique with stratified sampling of 150 firms. The study found that ICT adoption enhances financial performance through improved service quality and reduced operational costs. Iravonga, Alala, Maingi and Ngala (2023) in Kenya studied integrated financial management information system impacts on county governments using descriptive survey with 172 employees from Kakamega, Busia, Vihiga, and Bungoma counties. The study found that

IFMIS explained 42.2% of variance in financial management, though Nairobi City County was excluded.

RESEARCH METHODOLOGY

This study adopted an explanatory research design to analyze the causes and effects of various phenomena, examining relationships between key variables and providing insights into their impact (Swedberg, 2020). The study targeted 100 employees from the ministry of finance and economic planning in Nairobi City County, Kenya. A structured questionnaire was employed to collect data, which according to Cheung (2021), involves a carefully designed set of questions aimed at gathering specific information relevant to the study's objectives. Quantitative data obtained was analyzed through descriptive statistics (mean and standard deviation) and inferential statistics including regression and correlation analyses using SPSS, with outcomes delineated in tables, charts and graphs for clarity. The regression base model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Y = Financial Governance, X_1= Control environment, X_2= Risk management, X_3= Control activities, X_4= Monitoring activities, X_5= Information communication.

RESEARCH FINDINGS AND DISCUSSION

Response Rate

A total of 100 participants, selected from Nairobi City County, Kenya formed basis of the research. Table 1 depicts the response rate.

Table 1: Response Rate

Category of questionnaire	Frequency	Percentage
Returned	92	92.0%
Not returned	8	8.0%
	100	**100%**

Source: Research Data (2025)

As per above a 92.0% response rate was achieved, while the non-response rate was 8.0%. With Holtom (2020) identifying 80% as a suitable threshold for data analysis, the review's 92.0% response rate was deemed more than adequate.

Descriptive Statistics Results

Quantitative data was analyzed using descriptive statistical measures such as mean and standard deviation, processed through SPSS version 17.0. Results were organized and presented in alignment with the examination's specific objectives, as detailed in succeeding sections. The sections that follow present the findings.

Internal Control Systems

Table 2: Descriptive Statistics

Descriptive Statistics	Mean	Std Dev
Control environment	4.17	0.821
Risk management	4.00	0.981
Control Activities	3.99	1.023
Monitoring Activities	4.08	0.918
Information Communication	3.68	1.318

Source: Research Data (2025)

Table 2 Control activities outcomes indicate 4.17 aggregate mean and 0.821 standard deviation score. The combined value of aggregate agreement level is that; 81.9% of the respondents agreed, 6.5% indicated neutral and 11.6%. These findings declare that a support to the idea that the respondents' perception that control environment of Kenya's Nairobi City County had contributed significantly to financial governance improvement. This observation concurs with Burgos-Jiménez et al. (2023) in their investigation of environmental protection efforts relationship with Welsh companies' financial performance where a positive link was revealed. The finding is also in line with Oyedokun and Felejaye (2022) who investigated how control environmental systems influence the Nigeria's NGO' financial performance and revealed that the control environment substantially impacted NGOs' financial outcomes.

The study explored the level of respondents' agreement on how risk management had an influence on financial governance of Kenya's Nairobi City County using a list of statements. Table 2 presents results showing that 4.00 aggregate mean score with 0.981 standard deviation. Total aggregate agreement level indicates 76.7% of respondents agreeing with the statements, 9.8% remained neutral, and 13.6% disagreed. This outcome supports the idea that the respondents' perceptions of the management of risks by the Nairobi City County in Kenya had significantly influenced its financial governance. The finding agree with Ahmed and Kosgei (2023) who examined risk management practices impacts on Lamu County's financial performance. The finding demonstrated that effective risk management plays a crucial role in strengthening Lamu County's financial performance. Similar conclusions were also drawn by Ahmed and Nganga (2019) in their investigation of risk management practices' influence on financial outcomes of Kenya's coastal county governments, specifically focusing on Mombasa, Kilifi, Kwale, and Taita. The study indicated a notable positive link of risk assessment measures and costal county's financial performance, underscoring the importance of risk identification and mitigation efforts.

The study explored the level of respondents' agreement on how control activities had an influence on financial governance of Kenya's Nairobi City County using a list of statements. Table 2 presented results denote 3.99 aggregate mean and 1.023 standard deviation score. The combined value of aggregate agreement level is that; 74.8% of the respondents agreed, 10.5% indicated neutral and 14.6%. This finding suggests that participants held favorable perceptions regarding significance control activities by the Nairobi City County, Kenya on its financial governance. The finding is consistent with Korir (2022) study on explored how control activities influence commercial bank's financial performance of Kenya's Bomet and Kericho Counties branches, that revealed that control activities insignificantly negatively impacted bank branches' financial performance. Comparable findings were also reported by Cheruiyot, Namusonge, and Sakwa (2018) who explored control activities impacts on Kenya's county governments' financial performance. The study established that effective internal control is linked to achieving revenue targets and optimal service delivery, involving regular assessments of financial information, asset safeguarding, employee compliance with policies, and overall efficiency.

The study explored respondents' agreement level on monitoring activities effects on financial governance of Kenya's Nairobi City County using a list of statements. Table 2 findings reveal 4.08 aggregate mean and 0.918 standard deviation score. Overall aggregate agreement level shows that 79.9% of participants agreed, 9.2% were neutral, and 10.9% disagreed. The result reflects a generally positive stance taken by participants on significance of monitoring activities by the Nairobi City County, Kenya in improving its financial governance. The finding aligns with Chepkorir and Langat (2021) who examined how budgetary monitoring influences Kenya's

Kericho County financial performance. The findings confirmed that effective budgetary monitoring significantly improves financial performance. The finding also aligns with Manyange, Aluonzi, and Mabonga (2020) who studied monitoring impacts on financial accountability of Kenya's Counties with a nucleus of South Nyanza. Increased monitoring was revealed to significantly enhance financial accountability.

The study explored respondents' agreement level on how information communication had an influence on financial governance of Kenya's Nairobi City County using a list of statements. Table 2 findings reveal 3.68 overall average and 1.318 standard deviation scores. The total level of agreement among respondents shows that 70.6% concurred, 6.2% were neutral, and 24.8% disagreed. These results suggest that the participants believe that the information technology of Nairobi City County, Kenya, has played a crucial role in enhancing financial governance. This outcome aligns with Walubengo, Abuya, and Kiongera (2023) who conducted a study examining information technology impacts on Western Kenya County Governments service delivery. The findings indicated that information technology significantly influences service delivery within the counties of the Western Kenya Region. The finding also align with Ywapamoy (2018) who explored the relationship between information and communication technology (ICT) and West Pokot's SME's financial performance. The adoption of information technology was found to enhance SMEs financial performance by improving service quality, increasing transaction volumes, facilitating connections with suppliers, and reducing operational and transaction costs, as well as enhancing accuracy and efficiency.

Financial Governance

The financial governance was evaluated in terms of amount of revenue collected by the Nairobi City County from the year 2020 to 2024. The results are presented in Figure 1.

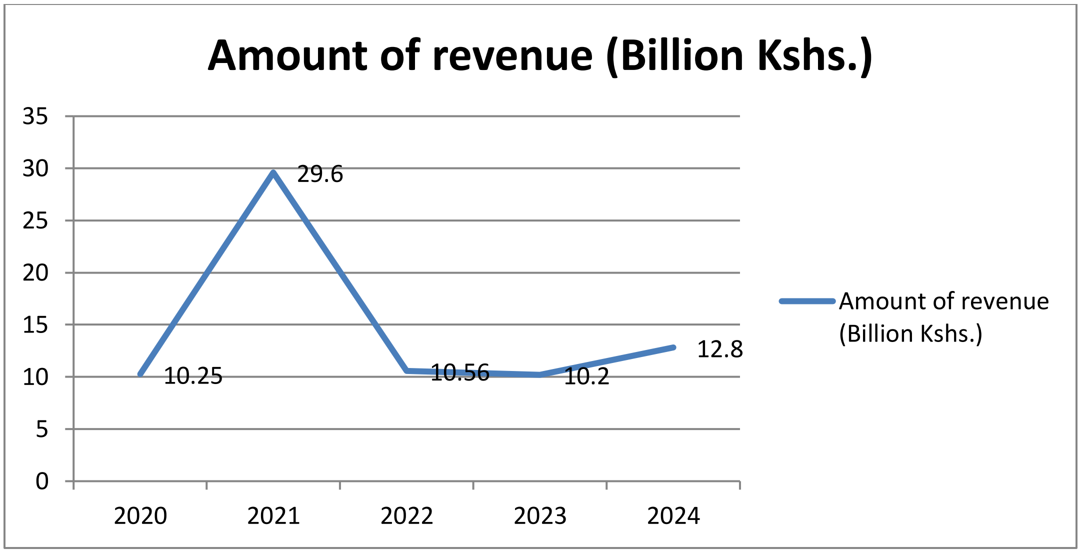

Figure 1: Financial Governance

Source: Research Data (2025)

Figure 1 illustrated information reveals that from 2020 to 2024, Nairobi City County in Kenya accrued total revenues measured in billions of Kenyan Shillings, specifically 10.25, 29.6, 10.56, 10.2, and 12.8 for each respective year. This finding suggests that there were fluctuations in revenue generation over this period, with a notable peak in 2021, which may indicate varying economic conditions, changes in policy, or shifts in local governance that impacted the county's financial performance.

Inferential Analysis Results

The inferential analysis was done in sections.

Correlation Analysis

The correlation results are presented in Table 3.

Table 3: Correlation Analysis

		Control environment	Risk management	Control activities	Monitoring activities	Information communication	Financial governance
Control environment	Pearson correlation	1.000					
	Sig. (2-tailed)						
Risk management	Pearson correlation	0.152	1.000				
	Sig. (2-tailed)	0.142					
Control activities	Pearson correlation	0.285	0.109	1.000			
	Sig. (2-tailed)	0.225	0.102				
Monitoring activities	Pearson correlation	0.362	0.119	0.106	1.000		
	Sig. (2-tailed)	0.064	0.201	0.117			
Information communication	Pearson correlation	0.263	0.385	0.197	0.341	1.000	
	Sig. (2-tailed)	0.121	0.227	0.311	0.228		
Financial governance	Pearson correlation	0.812	0.715	0.794	0.745	0.788	1.000
	Sig. (2-tailed)	0.000	0.004	0.002	0.003	0.003	

Source: Research Data (2025)

Evidence proffers that the control environment strongly correlated with the financial governance of Kenya's Nairobi City County (r=0.812, p=0.000). This implies that control environment improvements are most probable to boost financial governance practices within the county. The finding agree with Onsindu, Muturi, and Kanali (2023) who explored ICS impacts, specifically- control environment and activities on local revenue management within Kenyan County Governments. The findings indicated that internal control environment strongly positively correlates with efficient revenue management.

The findings suggest that risk management positively significantly correlated with financial governance of Nairobi City County in Kenya (r=0.715, p=0.004). This means effective risk management is closely linked to improved financial governance in the region, highlighting vitality of integrating risk management strategies into financial decision-making processes. The finding concurs with Maingi (2023) who studied how risk management influences Kenya's Kenyatta

National Hospital financial performance. The correlation and regression analysis, findings ascertained that risk management significantly impacted the hospital's financial performance.

The research outcomes evidences control activities strong relationship with financial governance of Kenya's Nairobi City County. This is supported by correlation coefficient of r=0.794, which signifies a robust positive correlation, and a p-value of 0.002, signifying results' statistical significance. This suggests that as control activities improve, the county's financial governance also tends to enhance, highlighting significance of effective control mechanisms in promoting sound financial management practices. The finding is in line with Chepkurui, Naibei, and Kemboi (2022) who examined how Kenya's Kericho county financial sustainability is influenced by control activities and a significant positive relationship between the variables was established.

The outcomes reveals monitoring activities significant connection with financial governance of Kenya's Nairobi City County. This is evidenced by a correlation coefficient of r=0.745, which suggests a strong positive relationship, and p-value of 0.003, indicating results' statistical significance. This implies that as monitoring activities increase, there is a corresponding improvement in the financial governance of the county, highlighting effective oversight vitality in enhancing financial management practices. The finding agree with Ehaji (2019) who examined how Kenya's Vihiga County financial performance is influenced by monitoring practices, utilizing cross-sectional correlation research. The results showed financial performance is significantly influenced by internal audit practices with an 0.679 F-statistic.

Findings indicate information communication' significant relationship with financial governance of Kenya's Nairobi City County, as demonstrated by 0.788 correlation coefficient with 0.003 p-value. This implies that effective information communication is crucial in improving the county's financial governance practices, highlighting importance of transparent and efficient communication channels in managing financial resources. The results agree with Iravonga, Alala, Maingi and Ngala (2023) studied how integrated financial management information reporting system impacts Kenyan County Governments financial management. The findings indicated that the IFMIS explained 42.2% of the variance in financial management.

Multiple Regression Analysis

A multiple regression analysis was undertaken to examine variables' relationships. This analysis was crucial for assessing the degree to which variations in the independent variables collectively influenced the dependent variable.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.899	0.808	0.785	1.002

Source: Research Data (2025)

Table 4 presented findings reveal 0.785 (78.5%) adjusted r-squared value implying 78.5% of the variation in financial governance of Kenya's Nairobi City County is due to control environment, control activities, risk management, monitoring activities and information communication. This further indicates that a remaining 21.5% of financial governance outcomes in Nairobi City County could be influenced by factors not captured in the current analysis.

Table 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.264	5	20.253	34.018	0.003
	Residual	51.201	86	0.595		
	Total	152.465	91			

Source: Research Data (2025)

Table 5 reveals significance value of 0.003, falling below the 0.05 conventional threshold, thereby indicating statistical significance. Furthermore, the F value obtained at a 5% significance level was 34.018, exceeding the mean value of 20.253. This suggests that the model is suitable for additional statistical analysis.

Table 6: Coefficients Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.601	0.215		2.795	0.002
	Control environment	0.741	0.221	0.0524	3.353	0.003
	Risk management	0.758	0.302	0.0411	2.509	0.001
	Control activities	0.781	0.229	0.0396	3.410	0.001
	Monitoring activities	0.721	0.354	0.0449	2.037	0.002
	Information communication	0.706	0.336	0.0556	2.101	0.004

Source: Research Data (2025)

The outcomes reveal 0.601-constant value, which is the level that the financial governance of Kenya's Nairobi City County would be without the influence of control environment, risk management, control activities, monitoring activities and information communication.

Improvement on control environment, risk management, control activities, monitoring activities and information communication respectively would cause a significant improvement on financial governance of Kenya's Nairobi City County by 0.741, 0.758, 0.781, 0.721 and 0.706 respectively. The following the expression of the regression equation;

The regression base model will be: $\mathbf{Y = 0.601 + 0.741X_1 + 0.758X_2 + 0.781X_3 + 0.721X_4 + 0.706X_5}$

Y = Financial Governance; $\mathbf{X_1}$= Control environment; $\mathbf{X_2}$= Risk management; $\mathbf{X_3}$= Control activities; $\mathbf{X_4}$= Monitoring activities; $\mathbf{X_5}$= Information technology

Table 6 delineated findings also reveal that control environment had 0.0524-beta value and 0.003-significance value, implying that control environment significantly influenced financial governance of Kenya's Nairobi City County. The finding concurs with Oyedokun and Felejaye (2022) who investigated how control environmental systems influence the Nigeria's NGO' financial performance using descriptive survey of 200 key personnel from 20 deliberately selected organizations revealing that the control environment substantially impacted NGOs' financial outcomes.

The findings indicate that the risk management possessed 0.0411 beta value along with 0.001 significance value, suggesting that risk management significantly influenced financial governance of Kenya's Nairobi City County. The finding corroborates with Ahmed and Nganga (2019) who investigated how risk management practices influence financial outcomes of Kenya's coastal county governments, specifically focusing on Mombasa, Kilifi, Kwale, and Taita. The analysis of data amassed through questionnaires indicated a notable positive link of risk assessment measures and costal county's financial performance, underscoring the importance of risk identification and mitigation efforts.

The review revealed that control activities positively significantly affected financial governance of Kenya's Nairobi City County (β=0.0396, p=0.001). The outcome conforms to Korir (2022) exploration on how control activities influence commercial bank's financial performance of Kenya's Bomet and Kericho Counties branches, revealing that control activities insignificantly negatively impacted bank branches' financial performance.

The research indicated that monitoring activities significantly positively impacted financial governance of Kenya's Nairobi City County (β=0.0449, p=0.002). The results agree with

Manyange, Aluonzi & Mabonga (2020) who studied monitoring impacts on financial accountability of Kenya's Counties with a nucleus of South Nyanza. Increased monitoring was revealed to significantly enhance financial accountability.

The information communication was established to positively significantly influence financial governance of Kenya's Nairobi City County as denoted by 0.0566 beta value and 0.004 significance value. This outcome aligns with Walubengo, Abuya & Kiongera (2023) who conducted a study examining information technology impacts on Western Kenya County Governments service delivery. The findings indicated that information technology significantly influences service delivery within the counties of the Western Kenya Region.

CONCLUSION

The study concludes that the whole financial management effectiveness and integrity of Nairobi City County had been positively influenced by its control environment mechanisms, which include policies, procedures, and organizational culture that directly affect how financial activities are executed and monitored, ensuring public officials operate with transparency, uphold ethical standards, and are held accountable. The county's risk management enhanced financial monitoring and decision-making process by guaranteeing accurate identification of financial threats along with assessment and mitigation strategies, helping protect financial assets, uphold budgetary discipline, improve accountability for public spending, and ultimately promote sustainable economic growth. The control activities influence the County's financial governance by ensuring that financial operations are conducted transparently and accountably through various procedures and policies designed to reduce risks and protect assets, thereby improving financial reporting quality and minimizing fraud likelihood.

The County's monitoring efforts help identify misappropriations and areas of financial mismanagement, allowing for prompt corrective measures to be implemented while fostering public trust in the financial system as citizens can observe how their tax contributions are utilized, leading to heightened civic involvement and development of improved financial policies and strategies. The County's communication of information guarantees that all stakeholders gain improved understanding of its financial policies, budget allocations, and expenditures, fostering trust and accountability through clear communication channels that lead to prompt delivery of financial reports and updates, which enhances decision-making and effective resource management while boosting civic participation for more accountable and responsive financial management.

RECOMMENDATIONS

The study recommends that the County should establish thorough training initiatives for employees to improve their knowledge of internal controls and financial management, conduct periodic audits and evaluations of the internal control framework to pinpoint vulnerabilities and opportunities for enhancement, and set forth explicit policies and procedures that define the roles and responsibilities of every employee in upholding financial governance while fostering a culture of responsibility and openness through clear communication and reporting of financial discrepancies. The County should perform thorough risk assessments to formulate mitigation strategies with annual assessment timetables to sustain a proactive approach, implement segregation of duties, routine reconciliations, and strong approval processes for expenditures to reduce errors and fraud, and cultivate a risk-aware culture within departments through consistent training and communication regarding risk management policies.

In addition, it is recommended that the County should allocate resources towards robust financial system management to enhance reporting accuracy and efficiency through automated processes, real-time monitoring, and detailed audit trails, while identifying financial processes most susceptible to errors or fraud and regularly conducting internal and external audits to ensure regulatory compliance and effective controls. The County should set forth explicit objectives by determining areas that necessitate monitoring, capitalize on data analytics and management software to automate data gathering, analyze expenditure trends, and detect irregularities in financial transactions, form advisory committees comprising citizens to solicit feedback on financial governance practices, leverage digital platforms to disseminate financial information through user-friendly websites containing budget reports and financial dashboards, and conduct regular town hall meetings to create avenues for dialogue allowing residents to ask questions and participate in discussions regarding financial policies and initiatives.

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